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2 April 1984

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SEARCH FOR ADDITIONAL PETROLEUM DEPOSITS CONSIDERED VITAL

Lima LA PRENSA in Spanish 24 Feb 84 p 10

[Text] Senator Gaston Acurio, president of the investigation committee of Peruvian Petroleum, has said that petroleum production has fallen greatly and that, unless large new deposits are found, we could return to our former condition of an importing country by 1986.

The facts are that many companies made the initial investment required of them by Peruvian Petroleum, drilled wells that unfortunately turned out to be dry and chose to cease operations.

This is what recently happened in the case of Superior. As for Shell, until now there is no indication that it has made a commercially significant find. It is said that Hamilton, too, is about to withdraw.

If this is the case, we are confident that, in conformity with the law, the Ministry of Energy and Mines will grant Petroinca the facilities necessary to continue operations in the area that, in association with Hamilton, it has under contract. Petroinca is a Peruvian company, the only one that, up to the present, has ventured into the risky field of petroleum exploration.

According to Dr Armand Hammer, president of Occidental Petroleum, there is petroleum in Peru. In searching for it, we have hardly scratched the surface of our vast forests. We need therefore to intensify our exploration. For this purpose, we cannot depend exclusively on Peruvian Petroleum, which lacks sufficient money. Even if it had enough, it should not risk it--it should not risk the money of Peruvians in general--in such risky and unpredictable ventures. There are private companies ready to pay all the expenses and assume all the risks of looking for petroleum, on condition that, if they find it, they can operate in such a way as to recover the capital invested and obtain a reasonable profit.

The so-called "Peruvian model" resulted in a liberal excess. It should not be forgotten that, when it was conceived of, a barrel of petroleum was selling for barely 2 dollars. The fact is that the dictatorship itself, in its second phase, corrected its original concept. Silva Ruetter then allowed himself to be guided by his appetite for revenue. He exhaustively plucked two geese--Occidental and Belco--in the operation instead of plucking 50 geese more moderately.

In the latter case, the result would have been more advantageous both for the treasury and the country, as happened in Ecuador and Argentina, where taxes are lighter than in Peru and where, consequently, the companies interested in exploring for and eventually exploiting petroleum are much more numerous.

12336

CSO: 3348/303

BRIEFS

DECLINE IN PETROLEUM PRODUCTION--According to the February issue of PERUVIAN QUARTERLY REPORT, petroleum production in our country fell by 12 percent in 1983, to an average of 171,700 barrels a day. Half this decline was due to interruptions affecting the northern branch of the pipeline and the other half to a decline in productivity. The state-owned company PetroPeru produced 49,200 barrels a day and contractors, 122,500 a day. The multinational company Occidental led the contractors in production with 86,300 barrels a day, while Belco and Oxy-Bridas produced 24,900 and 11,300 barrels a day, respectively. According to the magazine, the experts believe that Peru will again become a petroleum importing country as soon as the deposits dry up in 1982. [Text] [Lima EL OBSERVADOR in Spanish 23 Feb 84 p 16] 12336

CSO: 3348/303

ENERGY MINISTER DEFENDS DECISION TO REMOVE PDVSA PRESIDENT

Caracas EL NACIONAL in Spanish 16 Feb 84 p D-6

[Article by Cayetano Ramirez: "Change in PDVSA Legally Correct, Well Received by Public"]

[Text] Arturo Hernandez Grisanti, minister of energy and mines, said yesterday: "The restructuring of the directorate of the PDVSA [Venezuelan Petroleum, Inc.] is legally unobjectionable, was done properly and has been accepted by the public and the oil industry."

Hernandez Grisanti summoned journalists to his office to respond to the COPEI [Social Christian Party] communique which criticized the replacement of Calderon Berti as president of PDVSA with Brigido Natera as well as other changes in the PDVSA directorate. Hernandez Grisanti said that the COPEI statements that the legal system was violated and that President Lusinchi broke the laws a week after having sworn to uphold them are not true.

PDVSA is a mercantile company and, according to Venezuelan legislation, accepted doctrine and the interpretations of qualified jurists, the assembly has the authority to revoke appointments to its directorate ad nutun--that is, without explanation. The minister read several comments by jurists, all of whom used the Latin phrase ad nutun. They stated that the prerogative to revoke appointments established in the Commerce Code cannot be repealed by a company statute even if it stated that the members of the directorate were irrevocable. He added: "The PDVSA Statutes state that the members of its directorate will hold office for 2 years but do not state that they will be irrevocable."

COPEI is a major party with good lawyers and they all know this well, according to Hernandez Grisanti. He indicated that he considers the communique a gesture of support for a party comrade, straining facts a little.

"I do not believe that any lawyer knowledgeable about mercantile law has the slightest doubt that the decision on the PDVSA directorate is legally unobjectionable and obeys the law.

"Article 242 of the Commerce Code states that corporations are administered by one or more temporary, revocable administrators, partners or not."

As a practicing lawyer, Hernandez Grisanti was comfortable with his explanations. He had in front of him treatises and articles of the laws that he cited and commented on. He pointed out that everything agrees with the idea that the directors of a company can be recalled and replaced when the shareholders assembly considers it appropriate. He referred to the study by a distinguished COPEI professor and judge who, after a long study on the revocability of corporation administrators, concluded that the administrators are temporary and revocable based on the free judgment of the assembly. The assembly does not have to give explanations (ad nutum) and does not have to reimburse for the time left in the term.

He then referred to the political aspect of the question. He recalled the controversy provoked by the appointment of the PDVSA directorate in August 1983. Candidate Rafael Caldera considered the appointment of Calderon as president of the PDVSA inappropriate. He cited other observations and an article by Ramon Escovar Salom in EL NACIONAL. The latter said that if the PDVSA becomes politicized, it will become one more footnote in national folklore. He also recalled that the AD [Democratic Action] and candidate Jaime Lusinchi were against someone going from a high political position to an operational position in industry.

He stated: "Those of us in the oil industry or connected with oil know that there has been a climate of indecision in the industry since August 1983." He added that ever since President Lusinchi notified him that he would be named minister of energy and mines, "my main concern was to end that uneasiness."

Therefore, the appointments were made based on professional merit. He apologized for making personal comments but felt that there was a favorable comparison between Calderon Berti, with 16 years in the Ministry of Energy and 3 years in the technological branch of the industry, and Brigido Natera, Juan Chacin and other executives promoted, all of whom have 30 years in industry. That also applies to the branch presidents named like Alberto Quiros, president of Lagoven; Carlos Castillo of Maraven; and Renato Urdaneta of Meneven.

He said that the prior executive experience of the five PDVSA directors who were dismissed was considered. Therefore, Gustavo Gabaldon goes to Maraven as director and Enrique Daboin goes to Corpoven in the same position. He announced that Humberto Penaloza will be appointed PDVSA director at the New York office. He referred to a director with 4 years at PDVSA who had no other experience in the oil industry. He emphasized the expression /continuity/ [in boldface] in the industry for those appointed to branch positions. He seemed to be referring to Victor Petzall who has 28 years in the oil industry but left it for a while. He came back as PDVSA director in 1979 but has been retired now and not assigned to another position.

Hernandez Grisanti reminded the journalists that he had been very careful about the formal aspects of the restructuring of PDVSA. The 18 executives who were retired, confirmed or hired were summoned and met with individually. He criticized the fact that, in previous appointments, "some learned that they had been replaced when they read the newspaper at home."

"The PDVSA directorate appointed by the previous government in August 1979 included three members of COPEI and several with close contacts with the minister. Of the six named now, none has close ties with me. Only one is from the AD and he has 25 years in the oil sector--Dr Arevalo Guzman Reyes.

"Therefore, we can state that this restructuring is a legally unobjectionable act accepted by the public. It has created a very favorable climate in the industry because of the names of those who have joined PDVSA and the branches. Those dismissed who had continuity in the industry will remain at the branches."

He then answered some questions.

One journalist said: "There has been talk that the oil industry runs the risk of becoming multinational."

"I do not believe that. Those named are Venezuelans. Although it might be a little vain, I must say that I began in the oil industry at Perez Alfonzo's side and as long as I am here, that danger does not exist."

Based on your career in Parliament and recent events, won't you be starting a confrontation with the opposition?

"I don't think so. I am not a pugnacious man but conciliatory."

He indicated that he had called the secretary general of COPEI in the morning to explain that he would hold a press conference to respond to the communique. It was almost like an apology for feeling obliged to do so.

"The government does not want lawsuits, especially President Lusinchi's government."

About the international situation, he said that oil now looks better than expected because of the winter. However, it is necessary to wait and see the magnitude of the problems in the second quarter which brings a seasonally lower demand for oil.

He did not make predictions. He indicated that it is best to wait until the Regular OPEC Conference in June.

7717

CSO: 3348/292

TRINIDAD OFFICIAL SEES ONGOING ANIMOSITY IN CARICOM

Port-of-Spain SUNDAY EXPRESS in English 26 Feb 84 pp 19, 55

[Article by Harry Partap]

[Text] While the regime of Prime Minister George Chambers is obviously still openly committed to Caribbean unity, there appears to be a strong undercurrent of suspicion which led one senior government minister to express grave doubts about the future of the Caricom experience.

Agriculture, Lands and Food Production Minister and one of the three deputy political leaders of the ruling People's National Movement Kamaluddin Mohammed was not sure that the original animosity against Trinidad and Tobago had ever been wiped clean.

In fact Mohammed told a function organized by the Couva South Constituency Group of the PNM Last Monday that, "while I stand for a closely united Caribbean integration movement, I have doubts that this could be made a success in the light of the immature statements coming from various quarters in the Caribbean today."

Mohammed is perhaps the most qualified politician to make a judgment on the Caribbean grouping, based on his experience as the longest serving active politician in the Caribbean today and as a former Minister of West Indian Affairs.

He was one of the architects of Caricom, drawn into the historic position at the personal insistence of the late Prime Minister Dr Eric Williams. Mohammed told his central Trinidad audience that after the 1966 general election he was asked by Dr Williams to "take charge" of West Indian affairs because of the intriguing political situation which developed after the West Indies Federation collapsed in 1962.

According to Mohammed, the West Indies Federation failed because it was a colonial imposition run by old guard politicians who accepted the federal idea but failed to make adjustments in a changing era in the Caribbean.

He said that while Trinidad and Tobago did not initiate the break-up of the Federation, it was held responsible for just that.

Said he: "There was so much animosity against the Trinidad and Tobago Government when the Federation broke up that one would have believed that we had been responsible for the situation. The animosity was so real and obvious that the leaders of the other islands were not even on speaking terms with the late Prime Minister."

But, Mohammed pointed out, it was made to appear that Dr Williams was "aloof and did not care about the people in the other islands of the Caribbean." That was not true. Dr Williams, he said, was a staunch integrationist but he was cautious about the politicians.

Said Mohammed: "If just prior to his death he seemed not interested in the Caribbean, it was because he had become disenchanted with the attitude of the leaders."

But, even so, said Mohammed, Dr Williams never refused to provide financial help to Caribbean neighbours. He said that so far to date, the Government of Trinidad and Tobago had provided more than \$1 billion to help Caribbean countries.

The Agriculture Minister said that shortly after the collapse of the Federation three countries, Barbados, Antigua and Guyana, decided to form an economic grouping called CARIFTA (Caribbean Free Trade Area) which would have completely isolated Trinidad and Tobago economically from its hold on the Caribbean market.

He said this action would have strangled the local economy and hurt every aspect of life in the country. He said that Dr Williams's response to that situation was to remove him (Mohammed) from the Ministry of Public Utilities and put him in West Indian Affairs with the mandate to work out a compromise position.

Mohammed told his attentive audience that the government hired a light aeroplane which flew him into the capitals of 12 Caribbean countries during a period of six days, seeking to establish a cordial contact in the area once more.

"I remember," he said, "spending five hours at the door of one chief minister before being able to see him. They ignored me and treated me with scant courtesy but I never gave up. I decided that the differences must be patched up in the interest of regional cooperation."

Mohammed said that by that time he had been able to convince the three countries seeking to form a new union to postpone the announcement of the new trade area until the matter was discussed at length. The formation of Carifta was postponed he said.

He told his listeners that had this grouping been formed it would have been a "colossal blow to Trinidad and Tobago because at the stroke of a pen we would have lost a trade market of close to one million people." By any standard, he said, the loss of such a market would have dealt this country a paralysing blow."

The delay resulted in a wider grouping with properly defined guidelines for cooperation. The Caribbean Free Trade Area was a major symbol of Trinidad and Tobago's commitment to the Caribbean integration movement.

Mohammed said that Carifta gave birth to Caricom in 1973. He said the Trinidad and Tobago Government had signed a number of the protocols supporting Caricom. He said these were positive indications that the Government had "great faith" in this regional grouping. He denied that Trinidad and Tobago had a negative attitude to the problems of the Caribbean. He said the Government was still committed to Caribbean unity.

According to Mohammed's analysis, the present "cold war" relation among Caribbean leaders was not the result of the disagreement over the U.S.-led invasion of Grenada on October 25, 1983, but more so of deep-seated antagonism dating back to pre-Federation days.

The disagreement over the Grenada issue served only to rekindle that animosity. One gets the impression that the Trinidad and Tobago Government is not very happy with the attitude of the other Caricom partners.

Mohammed took great pains to explain the intriguing situation in Caribbean politics and echoed the sentiment of Prime Minister George Chambers that no external agents would influence the action taken by the Government to protect the interests of the people of Trinidad and Tobago and further that the Government was responsible to the people of Trinidad and Tobago and no one else.

After listening to Mohammed on Monday night, I came away with serious doubts about any timetable to heal the wounds which Chambers spoke about at Fyzabad. My own opinion is that these wounds may never ever heal.

CSO: 3298/576

SURINAMESE BISHOP RECOUNTS CARIBBEAN BISHOPS' CONFERENCE

Paramaribo DE WARE TIJD in Dutch 30 Jan 84 p 8

[Unsigned article: "Unity Through Reconciliation"]

[Text] The Caribbean Bishops' Conference was held on St. Lucia between 12 and 20 January. Seventeen bishops of the Antillean Bishops' Conference participated.

Suriname was represented by Father B. Mulder who acted on behalf of Msgr Aloisius Zichem. We quote the following from his report in the Roman Catholic weekly OMHOOG [Up]:

It was a historical occurrence for the island of St. Lucia in the Caribbean when 17 bishops' of the Antillean Bishops' Conference came together in Vieux Fort from Thursday 12 January to Friday 20 January 1984.

Unity through Reconciliation

Msgr Don Reece bishop of St. Johns' Basseterre (Antigua) discussed in an impressive sermon the theme of the conference "Unity through Reconciliation in the Mission of the Church in the Caribbean". Bishop Reece enumerated a number of subjects standing in the way of real unity and reconciliation:

1. Resistance against needed changes in spiritual and social matters;
2. Increasing political confrontations and human rights violations;
3. Conflicting ideologies and the divisive role of the super powers in our region;
4. Poor living conditions for people with low incomes, and a high unemployment rate;
5. Prostitution, decline of sexual morals, broken homes, illegitimate births, and matrimonial infidelity;
6. Mutual distrust between various churches as the result of animosity and anti-ecumenical attitudes of pentecostal groups in particular;

7. A society of consumerism and materialism.

In the course of their discussion on the situation in the Caribbean area the bishops expressed their deep sorrow over the loss of human lives during the ordeal recently suffered by the people of Grenada. They also expressed their hope that what is now being done to activate a general development program will be successful. They also voiced their anxiety about the critical situation in other parts of the Caribbean and Central America.

Several committees of the Antillean Bishops' Conference submitted reports on their programs and activities of the past year. The reports of the Rev Henry Charles, director of the seminary in Trinidad, and Father Charles Dufour of the seminary in Jamaica showed that the number of students studying for the priesthood is growing; this is also the case with the number of religious persons and laymen studying theology.

Elections

Elections for the executive council for the next 2 years had the following results:

President: Msgr Samuel Carter S.J., Kingston, Jamaica.

Vice-president: Msgr Anthony Pantin, C.S.Sp., Port of Spain, Trinidad and Tobago.

Secretary: Msgr Donald Reece, St, Johns-Basseterre, Antigua.

Members of the executive council: Msgr Lawrence Burke S.J., Nassau, Bahamas.

Msgr Maurice Marie-Sainte, Fort de France, Martinique, (for the French speaking territories)

Msgr Aloysius Zichem C.S.R., Paramaribo, Suriname, (for the Dutch speaking territories).

10319

CSO: 3214/24

MP EXPLAINS GOVERNMENT'S OPPOSITION TO U. S. GRENADA ACTION

Nassau THE TRIBUNE in English 28 Jan 84 pp 5, 10

[Letter to the Editor]

[Text] Editor, The Tribune. I have read with interest the editorial appearing in the January 24th issue of your paper under the heading "Search for the truth." I wish to make a few comments on the section concerning Grenada.

It is clear to all Bahamians that the Bahamas did not support the US intervention in Grenada, but perhaps it might be useful to once again state the reasons for that decision in an effort to help Bahamians "search for the truth."

Kindly forgive me if I occupy too much space, but it is a matter which requires a thorough treatment.

The Bahamas has consistently pursued a policy of non-intervention and non-interference in the internal affairs of states, particularly armed intervention. Under our obligations in international law and to the various international organizations of which we are a part, we have never departed from the principle of non-intervention. The Charters of these organizations are very clear, in particular the Charters of the United Nations and the Organization of American States.

The UN Charter is unequivocal on this point. The Purposes and Principles of the Charter very clearly declares armed intervention as a violation of international law and practice. Article 2, paragraph 4 states:

"All Members shall refrain in their international relations from the threat or use of force against the territorial integrity or political independence of any state, or in any other manner inconsistent with the purposes of the UN."

Article 33 states:

"The parties to any dispute, the continuance of which is likely to endanger the maintenance of international peace and security, shall, first of all, seek a solution by negotiation, enquiry, mediation, conciliation, arbitration, judicial settlement, resort to regional agencies or arrangements, or other peaceful means of their own choice."

These articles of the UN Charter, inter alia, do not countenance armed intervention on any pretext whatsoever. The U. S., Grenada and the other Caribbean States are members of the UN and were bound by the spirit and intent of the Charter.

Article 18 of the O. A. S. Charter states:

"No state or group of states has the right to intervene, directly or indirectly, for any reason whatever, in the internal or external affairs of any state. The foregoing prohibits not only the armed forces, but also any form of interference or attempted threat against the personality of the state or against its political, economic, and cultural elements."

Readers may wish to further inform themselves by referring to Articles 1 and 2 of the Rio Treaty which also deal with the principle of non-intervention.

On November 18, 1983, the O. A. S. unanimously adopted a Resolution entitled "Procedure for Peaceful Settlement of Disputes." The Bahamas was a party to that consensus. On December 17, 1980, the UN General Assembly at its 35th Session adopted a Resolution called "Implementation of the Declaration of International Security" by a vote of 120-0-24. The Bahamas voted in favour.

The Ocho Rios Declaration of CARICOM Governments as well as the Declaration of Commonwealth Heads of Government deal with the question of non-intervention.

I am absolutely satisfied that without doubt the Government of The Bahamas took the correct approach to the policy of non-intervention, and it ought to continue to pursue such a policy as it is solidly grounded in international law, the principles on which all civilized states operate.

The Bahamas has consistently and systematically condemned all acts of intervention in the internal affairs of states. The record is clear and I restate them here for the public's benefit:

1. We condemned the USSR when it intervened in Afghanistan;
2. We condemned Argentina's aggression in the Falkland Islands, in spite of the views of our Latin American colleagues in the OAS;
3. We condemned Turkey's incursions in Cyprus;
4. We condemned Vietnam's intrasigence in Kampuchea;
5. We condemned Indonesia's intervention in East Timor;
6. We have always condemned South Africa's intrasigence in Angola, Namibia and the Frontline States of Africa (Mozambique, Zambia, Tanzania, Botswana and Zimbabwe).
7. We have condemned Israeli occupation of the sovereign territories in the Middle East (Egypt, Lebanon, Jordan, Syria).

8. In keeping with that principle of non-intervention we condemned the U. S. intervention in Grenada.

9. We have always supported our CARICOM sister states of Belize and Guyana in their border disputes with Guatemala and Venezuela respectively.

The Bahamas Government has nothing to be ashamed of in taking these decisions and should continue to be proudly bound to the principles of international law and the customary practise of diplomacy. I am satisfied that it is the only proper and honorable course to take. If we departed from that, then we would have had no basis upon which to stand when Cuba intervened in The Bahamas in 1980 and murdered our defenseless marines. Cuba also received our condemnation.

That brings me to the point of connection with communists. The Bahamas did not "join with Communist elements in this hemisphere in opposing Reagan's prompt and timely action in nipping in the bud the further spread of Communism in the Caribbean." That is also the distorted view of the Opposition. The Bahamas voted for the reasons stated above; it just happened that virtually every other country voted similarly, both communist and democratic, basing their reasons on the same principle of non-intervention. Let me share with you some of the countries which opposed the U. S. intervention in Grenada: the U. K., France, Federal Republic of Germany, Canada, Australia, Japan, New Zealand, India, all of the African countries (except of course South Africa, that bastion of aggression, armed intervention and apartheid), Guyana, and Trinidad and Tobago, and the entire Latin American Region with the only exception of Guatemala (for obvious reasons). Among these are some of the world's oldest and greatest democracies. Of particular note to Bahamians should be the positions taken by the U. K., Canada, France and the Federal Republic of Germany, who do not only have solid democratic traditions, but are all members of NATO and close U. S. allies.

Margaret Thatcher, U. K.'s Prime Minister, felt that the invasion was "unwarranted, dangerous in human terms and a gross violation of a former colony. The U. K. refused to participate because its "disapproval of the regime (i. e. the People's Revolutionary Government under Bishop) was not considered sufficient grounds for stretching international law and using military force to oust it." Sir Geoffrey Howe, U. K. Foreign Secretary said, "A change in government is not in itself sufficient reason to justify invasion of one country by another."

President Mitterand of France said, "Nothing could justify the US invasion which was an attack upon international law. Law could not be divided; the right of self-determination applies everywhere."

Prime Minister Trudeau of Canada said, "...I cannot see any reason for invading to protect your citizens."

Hans Dietrich, Foreign Minister of the Federal Republic of Germany stated, the invasion is "a breach of international law."

In addition to the above, the votes taken at the U. N. on the matter indicates that the vast majority of states shared the position of the Bahamas. In the Security Council, the vote was 11-1-3 with U. S. opposed and U. K., Zaire and Togo abstaining. Had the U. S. not exercised its power of veto, it would have been soundly condemned by the Security Council. The vote in the UN General Assembly was equally revealing, and overwhelmingly supported by member states, including the Bahamas. The actual vote was 108-9-27, with U. S., Israel and Guatemala and the six Eastern Caribbean States concerned, being the only countries opposed.

It is, therefore, nonsense to suggest that The Bahamas joined the communist elements in its opposition to the U. S. intervention in Grenada. All of the traditional allies of the U. S., except Israel, did not support the intervention. That would make all of the great democracies of the world friends of communists. It was simply a question of voting on principles.

While I am at it, I might suggest to the Official Opposition, which opposed the position of the Bahamas on the Grenada situation, that it is usual for the country to be united vis-a-vis the rest of the world, as demonstrated by the U. S., U. K. and Canada. In fact, the Opposition should follow the admonition of Alexander Haig, former U. S. Secretary of State who said in November 1983,

"No Opposition Party in any country would publicly oppose the foreign policy of their democratically elected government."

That quote summarises the customary conduct of diplomacy. The Opposition must remember that it cannot conduct the foreign affairs of the Bahamas. Only the Government could do so, and only the Government would be recognized internationally as having that responsibility. That is not to suggest that the Opposition has to agree with the Government's position. It ought, however, to make its views known to the Government and should not wait to be invited to tender its views to the Government. It has a responsibility to do so. Let us disagree internally, but when we face the outside world, let us be united, for to do otherwise will have the effect of frustrating and undermining the efforts of The Bahamas as a whole.

May I reiterate that the Bahamas has always been and continues to be one of the U. S. most dependable ally. We have always had good and friendly relations as attested to by the Government, the U. S. Ambassador and even the U. S. President and Vice President. The U. S. Ambassador only recently acknowledged that, but there remain elements suggesting otherwise, especially The TRIBUNE and the Opposition. Even if you do not accept the Government's word, you should accept the word of the U. S. President, Vice President and its Ambassador to The Bahamas. Who else can speak for the U. S.! That is not to suggest that there are not areas of disagreement. That will always be so (e. g. bank secrecy). As Baroness Young said in the House of Lords during the Grenada debate, "Free Nations are free to differ." Her sentiments were shared by the Foreign Secretary Sir Geoffrey Howe, who said the Western Alliance... "does not oblige us to go along with each and everything proposed by the American Government." That summarises the nature of relations between civilized nations, the Bahamas and the U. S. being no different. The Bahamas should

always support every effort to promote the peace and prosperity of all mankind and outright to soundly condemn all acts of aggression, such as the senseless murder of U. S. and French marines in Lebanon.

Many thanks for this opportunity to respond to your editorial and again I apologize for occupying so much valuable space.

James B Moultrie
Member of Parliament,
Rock Sound Constituency

Nassau,

January 25, 1984.

(We find Mr Moultrie's letter very interesting, but for the time being we want only to deal with his last statement--U. S.-Bahamas relations. We at The TRIBUNE are very aware of what the diplomats are saying--as far as we are concerned that's the way with diplomats. But when we want to find out what's really going on we have to look over the shoulder of the diplomat--then, hopefully, the reality will appear.

(It is just a shame that Mr Moultrie did not take up a bit more space to include a few more quotes, which, we think, would have given a more balanced view of the relations between the two countries. If we were to marshall all our facts, there would be no room to publish them in tonight's issue of The TRIBUNE and so we have selected only a few. From these few the Bahamian people can arrive at their own conclusions about the "warm" relations between the U. S. and Bahamas--at the official level that is.

(On Dec 17, 1982 Mr James Moultrie, the ex-diplomat, berated the Opposition for suggesting that U. S.-Bahamas relations were strained. He insisted that they were cordial and there was no strain.

(On Dec. 20, 1982--two days after diplomat Moultrie made his statement--Prime Minister Pindling confirmed that relations with Washington have been "less than good." Sir Lynden suggested that the absence of a U. S. Ambassador in Nassau for nearly two years "probably contributes to the lack of proper understanding that exists" between the Bahamas and the U. S. "I have every reason to believe that they (relations with Washington) will improve dramatically within 30 days" after a new ambassador arrives.

(By March last year the U. S. Ambassador took up official residence and, according to the diplomats, everything was hunky-dory in the best of all possible heavens. But the devil can never leave well enough alone..along comes Sept 5 and the NBC allegations of corruption in official Bahamian circles. Sept. 5 is followed by Sept 30 and at a political rally at Christie Park the Bahamian people hear the Prime Minister of the Bahamas threaten to break diplomatic seals with the United States. Said Sir Lynden: "But if they (the U. S.) want to come back and blame us, I tell him (External Affairs Paul Adderley) to open the red box, open the red seal and let the thing

come out. I ain't going to carry the can for nobody. It's as simple as that. Don't worry about the red seal. Don't mind about the secret on the paper, just rub that out right now. We are going to put that back when it's over. But since little fellows want to take this course of action then we have got to tell the big fellows how to take blows. It's as simple as that."

(And on the same evening Sir Lynden Pindling, Prime Minister of the Bahamas, warned the President of the United States: "We are going to the top and we are going all the way wherever that way leads. They may not have seen these kinds of niggers before, but God knows they have now and they will never forget them.

("Whether the name is Nottage, whethere the name is Adderley, whether the name is Pindling, we are no lying down niggers. These are stand up niggers."

(We wonder what the police officer's opinion was about U. S.-Bahamas relations when he was told his DEA course in the United States was cancelled because of strained relations? And who can forget the remark of Admiral Daniel Murphy, Vice President George Bush's chief of staff and a member of the U. S. Federal Task Force against Drugs, when he admitted to interviewer Brian Ross that "they (Bahamian officials) are not easy people to negotiate with"?

(Did Mr Moultrie, the former diplomat, say that relations were good? Maybe, but these statements are only believed by persons who have no memories. Here at The TRIBUNE we have both memories and files to refresh those memories.

(Surely Mr Moultrie does not expect the President, the Vice President and the U. S. Ambassador to say that relations are bad. When it gets to that point then we can look for the Ambassador to be recalled. No, as long as they are hanging in there, officially relations are always going to be good--as we have said before...that is the way with diplomacy.--Ed).

CSO: 3298/577

GOVERNMENT REFUTES CHARGES THAT IT HARASSES TRIBUNE

Kingston THE SUNDAY GLEANER in English 5 Feb 84 p 13

[Article by Marcia Erskine]

[Text] The Bahamian Government has branded as "ludicrous" claims by one of the daily newspapers there THE TRIBUNE, that it is being harassed by the Government.

Dr Elliston Rahming, Special Assistant to Prime Minister Lynden Pindling, told the GLEANER in a telephone interview on Friday:

THE TRIBUNE is one of the freest newspapers in the world, printing just about anything and everything they feel like, so it is ludicrous for them to even hint at being repressed or unfairly treated. THE TRIBUNE has kept a constant onslaught of attacks on this Government, and on relatives and supporters of this Government, but anybody who reads THE TRIBUNE could see clearly that they are given free rein to print whatever they please".

Dr Rahming was responding to charges made by THE TRIBUNE in an interview published in the GLEANER on Sunday, January 29, in which THE TRIBUNE alleged that they were in danger of closing because of political victimisation.

A Ruse

The newspaper said that there was "no apparent restriction on the freedom of the press" in the Bahamas but claimed "covert pressure" such as the non-issuance of work permits to ex-patriate staff, restricting the efficient functioning of the paper since Bahamian staff there is largely untrained and the paper could not procure the services of qualified expatriates who could train them.

Dr Rahming said that the question of the granting or non-granting of work permits was the responsibility of the Bahamas Immigration Authorities. He said that THE TRIBUNE has had some Bahamians on staff for 10 to 12 years during which time they have had scores of foreign journalists on staff and if they were really serious about training local staff to fill key positions they would have done this by now."

"It is ludicrous for them to say they will have to cut staff or close down because they can't hire any expatriate staff. It would seem logical to me that any company that has long-standing, loyal staff would do their utmost to train that staff for key posts. It is more than logical for such staff to seek training and wonder why they can't be appointed to top posts after working in an organisation for a long time".

Rain of Mischief

In response to a query about the work permit of THE TRIBUNE's English Accountant Dr Rahming said:

They claim that they have advertised for staff and no "qualified" responses were received. But that is only a ruse to avoid hiring a Bahamian. We have Bahamians in top posts at banks and accountancy firms who could more than fill this slot, and if THE TRIBUNE says they want an accountant with a journalism bias they are just looking for a way of ensuring that no Bahamian gets the post. Accountancy is a skill that could be transferred to any business and a trained accountant can work just about anywhere."

With regard to the application for citizenship of Mr Roger Caaron, the English-born husband of THE TRIBUNE's Editor Bahamian Eileen Dupuch Caaron, Dr Rahming said that Mr Caaron was not the only applicant awaiting a response from the Bahamian authorities. "He is no way unique. In fact he is in a group of over 200 potential citizens awaiting a final decision; so he has not been singled out for any special treatment."

Dr Rahming added, "THE TRIBUNE's claims are totally unfounded but thoroughly in keeping with a rain of mischief that they have showered on this Government ever since it came to power."

CSO: 3298/577

CONTROVERSY SURROUNDS BILL CREATING PERSONAL STAFF FOR PM

Debate in Parliament

Nassau THE TRIBUNE in English 1 Feb 84 pp 1, 4

[Text] Pine Ridge MP Cecil Wallace-Whitfield said today that a Bill brought to Parliament to establish a personal staff to the office of Prime Minister was introduced because of personal demands "made by the occupant of the office."

Mr Whitfield told the first session of Parliament for 1984 that the Bill was an "ad hoc, hodge-podge" situation brought to Parliament on the wishes of the "occupant of the office." If this wasn't the case, he said, there wouldn't have been such an "emotional tirade" by Government members who, more zealously than usual, jumped to their feet one by one to voice their support of the Bill.

The Prime Minister's Personal Staff Act, which would provide for a head butler, head cook, cook, maid, launderess, gardener, administrative assistant and personal assistant, comes only three months after Prime Minister Lynden Pindling's salary and emoluments were increased from \$102,000 to \$107,000.

Shortly before Deputy Prime Minister Arthur Hanna introduced the Bill for a second reading, Sir Lynden retreated to the Smoking Room. He didn't return to the Floor during the rest of the morning session. Also conspicuously absent was Minister of Agriculture and Fisheries George Smith, whose name has featured prominently in the Royal Commission of Inquiry.

Mr Hanna said that if the Bill is passed, the Prime Minister's annual housing allowance of \$15,000 will be discontinued. He said the office of the Prime Minister is treated "shabbily" and in a manner not fitting of the station. He said that each year, for many years now, provision has been made for an official Prime Minister's residence, but the design hasn't been agreed on.

Mr Hanna said that the Bill for a personal staff to the office of Prime Minister was a "minimal request" and that it was not "anywhere as elaborate as the staff we now provide for the Governor-General whose duties are much, much less and his office is almost purely ceremonial."

"This Government should be ashamed of itself," Montagu MP Orville Turnquest (FNM) said.

He said that any Parliamentarian who supports the Bill should also be ashamed of themselves. He said the Opposition not only opposes the Bill, but condemns it for the raw callousness it demonstrates. He said that of the six Bills on the House agenda for consideration, four are taxation Bills "brought before us to give Government authority to impose further burdensome taxes on the people.

"I think the country will cry out if the Members of the Government dare to push this through."

Mr Turnquest wanted to know if Government Members had forgotten that a cloud hangs over the country and that "the entire lot are under investigation without exception." Following protests from Government Members, Mr Turnquest was told by the Speaker to stick to the matter before the House.

St Barnabus MP Sinclair Outten (PLP) wanted to know what was callous about the piece of legislation before the House.

"I don't see why the country hasn't yet provided a residence for its Prime Minister. They don't want it because the head of Government happens to be L O Pindling," he said.

Then Minister of Transport Philip Bethel rose to support the Bill. He felt that an official Prime Minister's residence, personal staff and "other fringe benefits" were long overdue. Mr Bethel also accused the Opposition of not supporting the Bill because Sir Lynden is the Prime Minister.

"This is going to put the icing on the cake," he said of the Bill.

"I rise to support this Bill to the hilt," Acklins and Crooked Island MP Wilbert Moss almost shouted. He said that in previous years, colonial secretaries were provided with houses to live in and wanted to know "is it because they're white or non-Bahamian."

Leander Minnis (Bamboo Town, PLP) challenged the Opposition to tell the House whether, if and when they become the Government, they will repeal the Act.

George Mackey (St Michaels, PLP) said if Government should be criticised for anything, it would be for taking so long to introduce the Bill. However, he thought providing a staff was "putting the cart before the horse." He said it was embarrassing not to be able to show visitors an official Prime Minister's residence.

Opposition Leader Kendal Isaacs said that the Government and back-benchers had been derelict in their duty towards the Prime Minister. He said that for 17 years they have had the same Prime Minister. He said the Government Members have talked about the Chief Justice once having an official residence in the colonial days, but "after 17 years they don't have the courage to give their leader a new home."

"After 17 years they have (drummed) up the courage to go one quarter of the way. One quarter of the way after 17 years. In other words, they must have felt as we feel now. After 17 years, they didn't want to give the Prime Minister this thing," he said. He said he objected to the timing and the principle of the Bill.

Vernon Symonette (Inagua and Mayaguana, FNM) thought it was interesting that nobody on the Opposition side mentioned the name of Lynden O Pindling, but that Government Members seemed "paranoid" that they were speaking out against Sir Lynden. He said Sir Lynden has done a lot of good for the country and "out of every good comes some evil." My Symonette asked House Members to think about Mayaguana and Crooked Island, which are not as well off as the Prime Minister's office, when considering the Bill.

Janet Bostwick (Yamacraw, FNM) wanted to know what exactly the Bill meant about providing for an administrative and personal assistant when already in the 1984 estimates they have a post of administrative assistant to the Prime Minister for \$20,300 a year, and a post of personal assistant for \$18,300 a year.

"Will they be attached to the house," she wanted to know. "How are we spending the people's money?"

Both Mr Whitfield and Mrs Bostwick wanted to know if a personal staff for the Prime Minister's office was more important than repairing the dilapidated schools, roads and other infrastructure. Mrs Bostwick said she wasn't against the principle of an official Prime Minister's residence, or an official residence for the Chief Justice.

However, she was more concerned about full employment in the country, a good health service, and decent schools and roads than an official Prime Minister's residence.

Minister of Labour and Home Affairs Clement Maynard and Education Minister Darrell Rolle also supported the Bill this morning. Mr Maynard said that 10 acres of land east of Prospect Ridge was in fact bought to build an official Prime Minister's residence.

Before the morning session started, Rev Charles Smith read from Proverbs (22), "A good name is to be chosen rather than great riches."

Passage of Bill

Nassau THE TRIBUNE in English 2 Feb 84 p 1

[Text] Dr Elliston Rahming, special assistant to the Prime Minister, said today it was not envisaged that a Bill passed in Parliament yesterday would provide for a second administrative assistant and personal assistant to the office of Prime Minister.

The Bill, which provides for a personal staff to the office of Prime Minister, was passed yesterday evening without the support of Opposition members. Among other things, it provides for an administrative assistant and personal assistant to the office of Prime Minister. Yamacraw MP Janet Bostwick wanted to know if this meant that the Prime Minister, who already has an administrative and personal assistant, would be assigned two more assistants.

Deputy Prime Minister Arthur Hanna told the House that the Prime Minister's annual housing allowance of \$15,000 would be discontinued once the Bill became law. However, Montagu MP Orville Turnquest pointed out later in the debate that two items were provided for the Prime Minister for housing allowance--one for \$15,000 and the other \$6,000. He asked Mr Hanna to tell the House whether both items would be discontinued.

Mr Hanna said he "didn't have the amounts before" him and "whatever it is written down and will fall away." He did not say what the sum of money was.

The Bill was passed three months after the Prime Minister's salary and emoluments were increased from \$102,000 to \$117,000. The TRIBUNE incorrectly reported yesterday that the sum was increased from \$102,000 to \$107,000.

CSO: 3298/577

COMMUNICATIONS, PUBLIC OFFICERS UNION HAS FULL-TIME CHIEF

Nassau THE TRIBUNE in English 31 Jan 84 pp 1, 5

[Text] Keith Archer, executive vice president of the Bahamas Communications and Public Officers Union, has been named as the union's first full time administrative officer, the Union announced recently.

BCPOU said that this move was made necessary because of the tremendous growth in the union's activities in recent times and it is also consistent with the leadership's commitment to provide the best service possible to union members.

Representing BATELCO and the Broadcasting Corporation workers, the BCPOU said it "prides itself on being a pacesetter in the field of labour, providing its members with representation second to none."

Under its present leadership headed by Charles Bethel, the BCPOU's guiding philosophy is that a trade union should be concerned about the welfare of its members not only at the work place (negotiating contracts, prosecuting industrial disputes and grievances), but also in society as a whole.

"The BCPOU subscribes to the proposition advanced by Bahamianization proponents like its financial adviser, chartered accountant Franklyn Wilson, that the Bahamian worker and Bahamian capital have a significant role to play in the economic growth and development of the country," a BCPOU release stated.

"Moreover, trade unions must buy an important instrument for mobilising private capital to benefit the Bahamian worker, and the BCPOU, as a progressive workers' organization is committed to do its part toward this end."

The BCPOU said that it has already embarked on several successful commercial ventures to assist its members in coping with the economic facts of life in today's world. They include major medical insurance coverage for dependents of members and a retirement savings plan.

The proceeds from the retirement fund will be invested in, among other things, the financing of an ambitious low-income housing programme to benefit contributing members.

"In fact," said the BCPOU, "we are now in the process of completing a 20-unit housing project for members in Freeport, Grand Bahama. This programme will eventually be extended to New Providence and the family islands if feasible, in an effort to ensure that every contributing member who needs a home will be to afford one."

With Mr Archer's appointment, the BCPOU announces the introduction of a number of new financial services to meet the needs of members, at terms and conditions more favourable than available from existing commercial institutions.

These services included mortgage financing; automobile insurance; homeowner/householder insurance; dependent major medical insurance and pension planning.

Based at the BCPOU's head office in Nassau, Mr Archer will be responsible for the day-to-day administration of the union's new services. He will be assisted by an office secretary and a professional consultant.

A telephone technician by profession and a long time employee of Bateclo, Mr Archer will be on a leave of absence from the corporation as provided for by the current contract between BCPOU and Batelco.

Mr Archer is a veteran trade unionist. He was first elected unopposed as the BCPOU's executive vice-president in 1978.

He has been returned to this post by acclamation in every election to date. Having represented the BCPOU overseas on a number of occasions, he is also well-known in international labour circles and is presently the elected representative for Caribbean affiliates of Postal, Telegraph and Telephone International (PTTI), serving on the Inter-American Advisory Committee of that world-wide organization of communication workers.

Commenting on the new financial services being offered by BCPOU, Mr Archer observed that these self-help schemes are ways the union can help bring down the cost of living for all workers.

"All that is required of members," he said, "is to get involved and make it work, because they can't expect anyone else but themselves to protect and advance their interests as workers."

CSO: 3298/577

BELGIUM TO FUND ICHILO-MAMORE RIVER UNDERTAKING

La Paz PRESENCIA in Spanish 5 Feb 84 p 1

[Text] During a preparatory meeting sponsored by the Undersecretariat of Maritime, River and Lake Interests, it was estimated that the Ichilo-Mamore project will require an annual investment of 340 million pesos.

Capt Juan del Carpio Bravo said that the undersecretariat has drawn up a draft budget that will be completed by the directorate of CEPIMA [Executive Committee of the Ichilo-Mamore Project] once it officially opens in the capital of Beni.

In the first half of February, an aid agreement will be signed with the Belgian Government. This pact will provide \$1 million or \$2 million to begin the first phase of activities.

The objective of the pact is to improve the navigability of the Ichilo and Mamore Rivers between the port of Villarroel and Guayaramerin. There will be hydrographic and hydraulic studies of both rivers, studies and projects to mark them, study and start-up of the method to remove driftwood, study and execution of a prototype of a river unit capable of being used in the mentioned rivers, study of the possibilities for port organization and improvement of the infrastructure.

The Belgian Government designated the AGCD [General Administration of Development Cooperation] to execute this pact. It is represented in La Paz by the Cooperation Section of the Belgian Embassy. Professor A. Sterling, Belgian inspector general of waterways, will be the scientific adviser. Bolivia will be responsible for the CEPIMA projects. Belgium agrees to supply material, pay for delivery of materials, including freight charges to the port, and recruit experts for the project. The Belgian experts who come here will be exempt from any customs or other taxes or restrictions on imports or exports as well as any charge for vehicles, furniture, personal effects and professional material.

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CSO: 3348/297

GOVERNMENT EXPRESSES INTEREST IN LITHIUM PROJECT

La Paz PRESENCIA in Spanish 2 Feb 84 p 9

[Text] The UTO [Technical University of Oruro] is asking for economic support from the government to exploit deposits of lithium (Li), titanium (Ti) and strontium (Sr) in the Salar de Coipasa. Rector engineer Guillermo Rosso Mendieta told the press that it is one of the largest lithium deposits in the world.

He said that the UTO made studies in that region and determined that with an investment of \$50,000 a pilot plant could be installed with a production capacity of some 100 tons per month. This would have an approximate value of \$5 million at \$50 per kilogram. Lithium would be obtained through the simple procedure of electrolysis.

According to calculations, there are about 1.5 million tons of that alkaline metal in the Coipasa deposit. That quantity, multiplied by \$50, would represent \$75 billion. Lithium exploitation could replace the production of tin and other traditionally exported minerals in the future.

He explained that lithium and titanium are very valuable and are used in the manufacture of rockets and in aeronautics.

Rosso Mendieta said that he met with the president of the republic, Dr Hernan Siles, some months ago on this. He said that the president told him that the government would participate in that project.

The government is being asked for economic cooperation that would total \$160,000 at the beginning to start up the pilot plant project and to continue studies in the region. Also vehicles would be needed. He added: "The UTO has adequate infrastructure for the studies and it has a Metallurgy School well known abroad for its progress."

"The wealth of the lithium deposit is demonstrated by the fact that there are 860 parts of metal per million while titanium has 800 parts per million. Chile erected an industrial plant in Antofagasta and exploits the Atacama deposits which are ours. It invested \$360 million but they will produce 14,000 metric tons of lithium per year at a value of \$700 million. This is a poorer deposit than the Coipasa one."

He said that Canada successfully exploits its deposits "although these are less than 160 parts of lithium per million."

Mined Road

Rosso repeated the accusation that Chile has mined a road in its territory that is used by the Bolivians. He explained that this territory belonged to Bolivia before and that Milestone 34 was deliberately crossed about 30 years ago. He stated that it is the road that connects the Bolivian towns of Villa Vitalina and Cerro Grande via Cerrania de Chusmica.

He explained that the road is used when the Salar de Coipasa does not permit travel since it spreads and its surface becomes submerged. "I think the Foreign Ministry should initiate action in some international court because I feel that a border like that cannot be mined. It means serious consequences for those who use that road."

He confirmed that a mission from the UTO that went there in support of other crews doing studies collected reports from the inhabitants that the mines killed two boys, blew up a truck and daily kill llamas and other animals on that road.

He said the regiment based in Huachacalla--some 1,000 men--"does all it can to protect the Bolivian border but it lacks the means for more effective work. I believe the best way to protect our border is to establish sovereignty there through the exploitation of our riches."

He explained that the mines are alongside the roadbed. He said: "However, it is not always possible to follow the roadbed and there are serious accidents." Information on the death of the minors was gathered on 9 December 1983 but the reports on the other events date from several months ago.

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CSO: 3348/297

SAN BUENAVENTURA AGROINDUSTRIAL PROJECT TO BE IMPLEMENTED

La Paz ULTIMA HORA in Spanish 8 Feb 84 p 4

[Text] CORDEPAZ [Development Corporation of La Paz] will invest \$3 million of its own resources in the construction of the infrastructure for the San Buena-ventura Agroindustrial Complex. This was announced by the president of the corporation, architect Raul Loayza.

He said that it also has the support of other institutions like the National Roads Service and the Development Corporation of Beni.

The amount indicated will be divided between the first two projects that will allow the complex to begin functioning. These are an alcohol distillery and a balanced feed plant.

The two projects will operate in complementary but independent form. They were awarded to Dedini S.A. of Brazil and Industria del Hierro S.A. of Mexico.

The first will be in charge of handling the cane, sugar mill, steam generation, energy generation, distillery and general services totaling \$7,751,835.

The Mexican enterprise will be in charge of the balanced livestock feed plant using bagasse and cane juice, a mobile crane for assembly and maintenance totaling \$1,237,559.

According to the official report, the awards were made after careful analysis of the specialty of each one. They had the best conditions for the alcohol distillery and greatest experience in processing balanced animal feed.

The contract includes training Bolivian personnel in the technology of each of the enterprises.

It will also permit maintenance of the plants by the technical team of CORDEPAZ and, in very special cases, by foreign personnel from the firms mentioned.

The grinding capacity will be from 1,000 to 1,500 tons of cane per day. This will allow production of 60,000 liters of alcohol of 95 grade G.I. per day and 100 tons of cane juice per day for the production of 144 tons of balanced livestock feed per day.

It will generate enough energy for the entire agroindustrial complex and camps. It might also expand and take care of the residents of San Buenaventura and Rurrenabaque.

The annual production of 9 million liters of alcohol and 20 million kilograms of livestock feed will mean \$10 million per year in the first stage.

About 400 people will be employed in the plant and from 800 to 1,000 sugar harvesting families.

It is possible to begin construction this year and do a test sugar harvest at the end of 1985, functioning at 50 percent capacity in 1986 and full capacity in 1987.

According to the timetable for agricultural projects, 2,000 hectares of cane are needed; 900 will be planted by the end of the year.

The production of livestock feed will increase the production of milk, beef, pork and poultry and improve the nutritional quality of these foods.

The production of alcohol will lead in the near future to the installation of a chemical industry to satisfy the needs of the country. One example is the treatment of wine lees that will be used as fertilizer to improve agricultural production.

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CSO: 3348/297

BRIEFS

ROAD DEVELOPMENT INVESTMENT--In a statement to PRESENCIA, Minister of Transport Hernando Poppe Martinez said: "We have discussed with the Japanese ambassador in Bolivia, Fadatsuna Yabu, financing for projects in the sector which require urgent attention like Ipias-Robore." Japanese technicians have finished studies on a siding of the Ipias-Robore railway line. Construction will begin in the second half of this month. The National Railway Enterprise has opened international bidding so that national and foreign construction enterprises can present their proposals. He revealed that the Ipias-Robore railway (Santa Cruz-Quijarro line) has been affected by natural disasters. Construction of a siding is necessary to normalize traffic. He indicated that about \$30 million have been allocated to this project. Financing will come from the Japanese Government. Poppe Martinez pointed out Ambassador Yabu's willingness to have his government finance the project to extend communications to the rural sector. JICA [Japanese International Development Agency] has finished its studies. This project means an investment of \$50 million. He said it has been approved by the Ministry of Planning and Coordination. Poppe thanked the Japanese Government for its interest in finishing studies on the San Borja-Trinidad road segment, 224 kilometers. [Text] [La Paz PRESENCIA in Spanish 5 Feb 84 p 9] 7717

CSO: 3348/297

DECLINE IN ECONOMIC ACTIVITY TO CONTINUE IN FIRST QUARTER

Rio de Janeiro JORNAL DO BRASIL in Portuguese 5 Feb 84 p 22

[Text] The first quarter of this year should not disclose any change in the performance of the Brazilian economy: the gross domestic product (GDP) should continue to decline; the per capita income which was reduced by 6 percent last year should also continue to drop; and, as a result, the domestic savings will be even smaller, without any compensation from the entry of external funds to finance the maintenance of production.

The solution to the economy's recovery internally is linked with the success of the renegotiation of the foreign debt, not only with the extension of the term for the annual financing contracts, but also with the inclusion of the payment of the interest in that renegotiation. Without that, the economic activity will continue to feel the effects of the adjustments required by the international agreements; and there will occur the same thing that happened last year, when the country did not generate domestic savings and still exported savings abroad: the year closed with a deficit of \$3 billion.

Difficult Payment

With the 1983 performance maintained, the payment of the various internal debts will be increasingly difficult, because the internal situation is similar to the external one: There is less money available to pay a far larger debt; which makes that money increasingly expensive, accrued by increasing interest rates and generating more inflation.

The only solution for those in debt (the government, through the issue of public bonds; the business firms, which take loans from the banks; and individuals) is to do exactly what the country is doing in the case of the international banks: postponing an immediate problem until the future, and until an overall renegotiation is necessary.

This is the consensus among economists and financial entrepreneurs regarding the performance of the Brazilian economy and the difficulties anticipated this year. However, some think that, starting in the second half, the situation will start to become different, with the first signs of economic recovery. But all agree that the generation of domestic savings will be possible only with a policy of recovery for the domestic market and with success in the renegotiation abroad.

Decisive Year

The economics professor at the Getulio Vargas Foundation and business consultant Uriel de Magalhaes thinks that 1984 will be a decisive year; because, in addition to being a political year (the decision on the elections for the presidency of the republic could give the foreign bankers more confidence in the renegotiation of the terms for Brazil's foreign debt), it is also a year of transition. He claims that, by December, another phase in the renegotiation of the debt will have started, extending the deadline for payment and reducing the annual interest payments.

He is of the opinion that the first 4 months of the year will be extremely difficult, with the continuation of the economic recession, and he predicts that the manufacturing industry may even undergo a 15 percent decline in its activity during the cumulative 12-month period. But, starting in the second half, he expects the situation to begin reversing, and he explains why:

"The government's monetary policy should be a little easier (the compulsory collections from the banking system will be reduced and the government will be able to redeem up to 2 trillion cruzeiros in public bonds this year); the agricultural harvest will be fairly good; the trade balance will have a good performance; the government should not make another maxi-devaluation of the cruzeiro; inflation will start a downward process; there will not be so much of a need to gear the economy to the goals set with the IMF (International Monetary Fund), because most of this was done last year; and there may already be noted a small intake of external funds to balance the international reserves."

Starting with that recovery, Uriel Magalhaes expects conditions to exist for the generation of domestic savings, with business firms giving up short-term speculative applications and turning toward investments in productive activity. But he stresses that the start of the decline in inflation and confidence in the profitability of investment are essential.

For those reasons, the economist thinks that the "roll-over" of the various internal debts will not be a very serious problem this year. In the area of the federal public debt generated by the National Treasury's issue of readjustable notes and bills, he gives a reminder that the government is planning a reduction, by means of the net redemption of bonds, of 1 trillion cruzeiros throughout this year; an amount that could reach 2 trillion cruzeiros, eliminating the need for massive sales of public bonds in the financial system.

High Interest

However, for the roll-over of the debts of business firms, the situation is not so optimistic; because they will still continue to pay very high interest rates to the banks, and they will still have to coexist with the high rate of inflation and recession for a considerable period during the year. The business firms will continue to move the problem ahead of them; in other words, taking

out another loan to pay the one that is due, and increasing the total amount of the debt more every time, until their productive activity is more lucrative than their financial costs, or until there is a need for renegotiation.

The professor from the Getulio Vargas Foundation thinks that, if his expectations are not borne out and if the adverse state of the economy continues for another year, there will be a tendency to hasten a widespread process of renegotiations of the various internal debts, "with the stronger swallowing the weaker"; in other words, with a risk of insolvency for the weaker companies.

According to the director of the Boavista Investment Bank, Jose Julio Senna, the greatest problem stemming from the decline in savings is the cost of money which, like any commodity, rises in price when it becomes scarce. He thinks that, this year, there will still be a tendency toward higher interest rates, and he does not expect an increment in economic activity, anticipating the continuation of inflation still in the 3-digit area.

Julio Senna explains that the situation is even more difficult for the business firms, because they are becoming increasingly dependent on the banks to "roll over" their debts. Even an alternative that has been found by some business firms, through the issue of debentures, is virtually depleted; because the bonds lost liquidity on the financial market with the levying of the income tax imposed by Decree 2,072, which went into effect in January. The firms will have to resort more to the banks which, in turn, will have to offer higher interest rates on their securities in order to attract more funds.

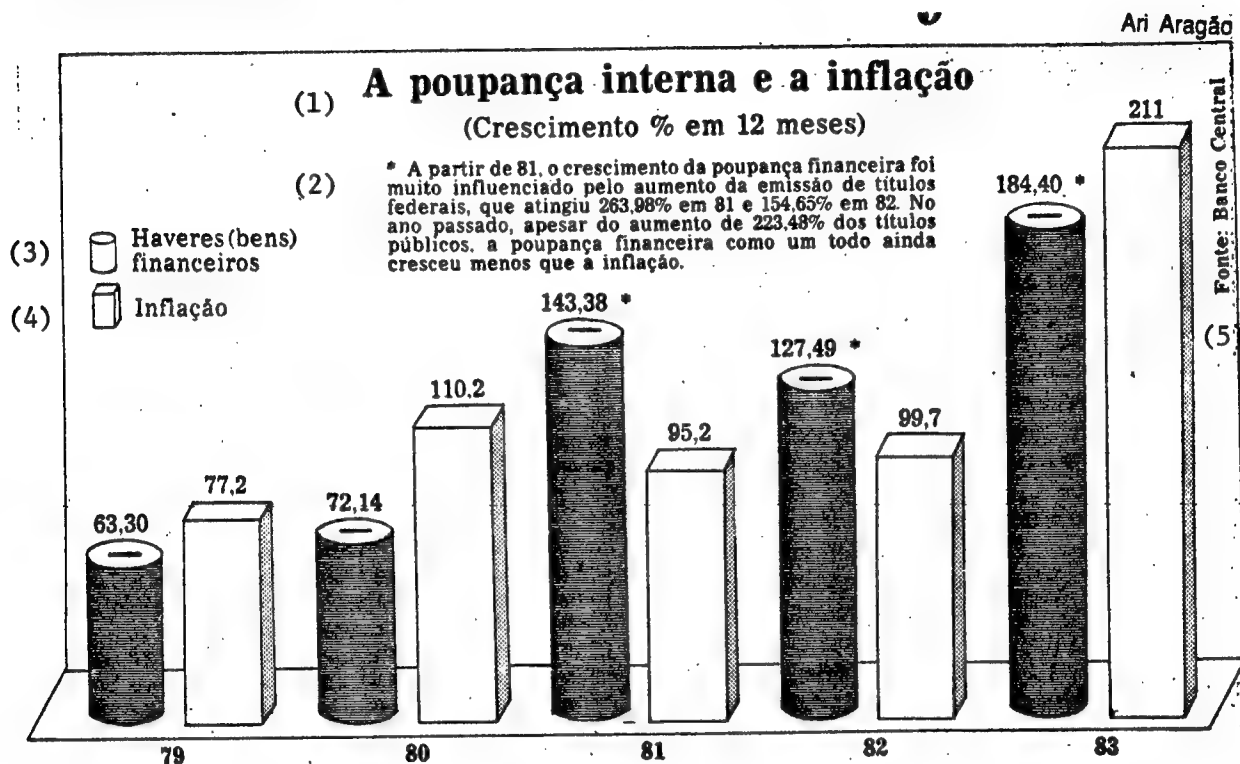
Public Debt

The director at Boavista thinks that not even the redemption of public bonds this year will mitigate the trend toward higher interest rates, which have already reached an additional 30 percent monetary correction per year for some bank loans. He recalls that, last year, more than 2 trillion cruzeiros were redeemed in public bonds, and there was no trend toward a drop in interest.

Some economists and entrepreneurs on the financial market claim that the annual redemptions of public bonds are not increasing the National Treasury's collections, and are not solving the problem of the public debt, which is continuing to grow like a snowball, merely as a result of the readjustment in the monetary correction.

In 1982, the government ended the year with an internal debt of 8 trillion cruzeiros; it redeemed over 2 trillion cruzeiros throughout 1983; but it ended last year owing 25.4 trillion cruzeiros, reckoned according to the monetary correction. Broker Adolpho de Oliveira thinks that the reckoning the exchange correction with the maximum of 30 percent in February 1983 raised the total public debt to 31 trillion cruzeiros at the end of last year. This year, if the monetary correction remains in the vicinity of 150 percent, the debt will rise to over 60 trillion cruzeiros.

Despite the fact that the Central Bank does not consider the total bonds maintained in its own portfolio (13 trillion cruzeiros as of the end of 1983) to be a debt, many economists disagree with that position and give a reminder that those securities could represent a loan for the Union, which has an opportunity for spending "on account." Moreover, many securities in the Central Bank's portfolio were repurchased on the financial market at a normal cost, in some cases having already paid the two maxi-devaluations of the cruzeiro of December 1979 and February 1983.



Key to Chart:

1. Domestic Savings and Inflation (% of increase in 12 months)
2. Starting in 1981, the increase in financial savings was greatly influenced by the increased issue of federal bonds, amounting to 263.98 percent in 1981 and 154.65 percent in 1982. Last year, despite the 223.48 percent rise in public bonds, the financing savings as a whole increased even less than did inflation.
3. Financial credits (assets)
4. Inflation
5. Source: Central Bank

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CSO: 3342/76

EXPORT INCENTIVES, TAX EXEMPTIONS PROPOSED FOR BUSINESSES

Sao Paulo O ESTADO DE SAO PUALO in Portuguese 21 Feb 84 p 35

[Text] CACEX (Foreign Trade Department) of the Bank of Brazil is studying a program of incentives for exports to small and medium-sized business firms, which could mean sales amounting to another \$500 million per year in sectors which are now virtually inactive in foreign trade. The program calls for the granting of government financing and widespread decentralization in the export process.

Yesterday, the general director of CACEX, Carlos Viacava, met with the finance minister, Ernane Galveas, and the president of the Bank of Brazil, Osvaldo Colin, to discuss the matter; and, at the end of the meeting, he said that the basic idea is to use the structure of the Bank of Brazil's branches all over the country to facilitate exports by small and medium-sized business owners, decentralizing a complicated process.

Viacava added that, at present, the exporter has to go to CACEX in Rio de Janeiro to discuss what he wants to export with the board of directors, to assume commitments, etc., in order to procure government financing and the release of bills of lading. Based on what was proposed in the study, at the Bank of Brazil branch in his own city or town, the exporter would solve all the problems, even receiving the amount of the financing as soon as he submits the closing of the exchange agreement.

This financing could come from funds based on Resolution 882, which finances production to be exported. Since the limit for each financing may be as much as 20 percent of the sale abroad, on the assumption that \$500 million is marketed by small and medium-sized firms, the government funds required would not exceed \$100 million, according to Carlos Viacava. He explains that this money could even be procured from sales of RDBs by the Bank of Brazil.

After deciding on the program for giving incentives for exporting, CACEX will undertake to publicize it all over the country. According to Viacava, an effort is being made to show the businessman that exporting is an important market to be operated for the benefit of the business firm and the country. He claims that Brazil is already exporting pencils, for example, in moderate quantities, and could extend the sales to include erasers, paperclips, school supplies in general and millions of items produced in the country but sent only to the domestic market.

The CACEX director gave a reminder that some countries have many of their exports backed by small and medium-sized business firms, citing the example of Italy, where the share of that segment in the export market is 70 percent. In his view, in Brazil, where most of the businesses are small and medium-sized, the prospects for exporting are quite favorable, inasmuch as the conditions for this have been created, "and an initial sale of about \$500 million per year is quite possible."

Tax Exemption Planned

Yesterday, the coordinator of the Debureaucratization Program, Piquet Carneiro, after meeting with the minister of industry and commerce, Camilo Penna, said that the new statute on small enterprise that is to be sent by the government to the National Congress at the very beginning of the next legislature will exempt all taxes on small enterprises whose annual billing is 75 million cruzeiros or 10,000 ORTN [National Treasury Readjustable Bonds], also exempting them from the payment of all the taxes required at present for their establishment, and taxing them only after they have been established.

Piquet Carneiro claimed that, in this way, the statute on small enterprise now in the final phase of preparation will be equipped to include the informal or invisible economy (as Minister Delfim Netto described it last week), legalizing it. He said that the invisible economy at present in certain parts of the country amounts to 80 percent of the total economy; and, in others, 45 percent, thus representing the existence of another invisible GDP within the economy.

The small enterprises whose billing exceeds 10,000 ORTN during the first and second year will be charged taxes only on the surplus; but, starting in the third year, if the billing continues to exceed that set by the statute, the enterprise will cease to be categorized as small.

Like Delfim Netto, Piquet Carneiro agreed that the invisible economy is a sign of vitality in the national economy, but he claims that the illegality has a price; because the businessmen do not have insurance on their behalf nor for their employees, and they lack credit as well.

The new statute will guarantee credit for the firms in the government banks (2 percent of the demand deposits must be earmarked for the small enterprises), and it will not allow the practice of requiring reciprocity.

Another measure discussed between Piquet Carneiro and Minister Camilo Penna was that of permitting the establishment of small partnerships through a change in the current regulations required by the Ministry of Industry and Commerce's National Department of Commerce (FNRC).

Billing of \$150 Million

This year, the small and medium-sized exporting firms will be selling nearly \$150 million worth through the 48 exporting consortiums, as compared with \$82

million worth actually exported last year. This information comes from the president of CEBRAE (Brazilian Center for Backing Small and Medium-Sized Business), Paulo Niccoli, who claims that what typifies the operation of the 385 business firms involved is diversification in the pattern of exports.

According to Niccoli, since their creation 2 years ago, the export consortiums have already succeeded in marketing hundreds of products abroad, even arts and crafts, amounting to \$132 million. He thinks that, over the medium term, the small and medium-sized businesses will rank among the ones offering the main incentives for Brazilian exports, as has already happened in the industrialized countries, which have thousands of small business units active on the international market.

Business Exchange

Niccoli also noted that the program for a national business exchange also run by CEBRAE is now operating 10 state exchanges and is sponsoring the Brazilian business fair. The main feature of the business exchange is the rapprochement of small and medium-sized business firms with the large ones, whether state-owned or private, in a cooperation aimed at substituting for imports. The head of CEBRAE thinks that, over the medium term, the program could promote the substitution of imports amounting to over \$1 billion.

The official of the national business exchange assumes a demand for spare parts and components on the part of the large firms, and the possibility that such equipment, usually imported, will be produced by the small and medium-sized businesses at considerably reduced costs.

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UNFAVORABLE BALANCE OF TRADE WITH PRC DISCUSSED

Sao Paulo FOLHA DE SAO PAULO in Portuguese 18 Feb 84 p 9

[Text] An increase in exports from Rio Grande do Sul to the Chinese market, through products from the soybean complex, is possible, according to a statement made yesterday by the ambassador from the People's Republic of China to Brazil, Xi Zhong-fu, upon paying an official visit to the Rio Grande do Sul State Federation of Industries. The ambassador said that he views optimistically the prospects for an increase in the commercial exchanges with Brazil, and expressed an interest in intensifying reports on the agroindustrial sector in Rio Grande do Sul. The chairman of FIERGS analyzed the performance of this activity, currently harmed by the economic recession, and stressed the need for increasing sales to China.

Vieira emphasized that the presence of a deficit of \$239.3 million in our trade balance with China from January to November of last year indicates the need for increasing sales to that country. In addition, Brazil's exports to China during the past 10 years increased only 41.35 percent, and the best performance attained was in 1977, when they reached the level of \$163 million. According to the official data available, during 1982 Brazil's sales to the Chinese market totaled only \$92 million.

That unfavorable imbalance for Brazil is virtually the result of oil imports from China during the past 4 years. In 1982, Brazil spent \$302.7 million on oil alone; and, during that same year, the share of that product in the total oil imported by our country reached 3.17 percent. Concurrently, in commercial exchanges as a whole, there has been a decline. The FIERGS chairman noted that the bilateral negotiations declined by 10.9 percent from 1981 to 1982; our exports dropped 11.4 percent; and imports showed a 10.7 percent decline.

In the case of Rio Grande do Sul, Vieira said that the state's exports fell from \$10.4 million in 1981 to \$9.1 million in 1982, according to the official data at hand. The leading products exported by Rio Grande do Sul are soybean oil and leaf tobacco. In this situation, the head of FIERGS emphasized to the Chinese ambassador the importance of the Brazilian mission that will visit that country during March, in search of a greater commercial balance.

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BRIEFS

ACCORDS WITH INDIA, PAKISTAN--Brazil will sign memorandums of understanding that will allow for future cooperation in the areas of science, technology and information science with India and Pakistan, during the forthcoming visit by Minister Saraiva Guerreiro, the first one ever made by a Brazilian foreign minister to those countries. The entourage will include the head of CNPQ [National Council for Scientific and Technological Development], Lynaldo Cavalcanti, and the special secretary for information science, Joubert Brizida, who will hold meetings with the agencies responsible for the technological development programs in those two countries. Guerreiro will start his trip in Islamabad on 2 March, and on 5 March will go to New Delhi, where he will spend 3 days, just during the carnival period. On his return, the Brazilian foreign minister will go to Washington for the OAS General Assembly on 12 March; and, on 15 March, he will make a stop in Caracas to hold his first meeting with the new foreign minister of Venezuela. The accords that may be signed with India and Pakistan are obviously of national interest and, whatever the future government of Brazil turns out to be, it will not fail to carry them forward, commented the foreign minister, rejecting the notion that commitments assumed at the end of a government run the risk of not being fulfilled. Although India already has atomic technology, Brazil has no immediate interest in establishing cooperation in the nuclear field. The minister gave a reminder that the technological processes in the two countries are different (the Indians use heavy water in the reactors) in their concepts; but this does not preclude an exchange of scientists for nuclear research for strictly peaceful purposes. [Text] [Brasilia CORREIO BRAZILIENSE in Portuguese 24 Feb 84 p 7] 2909

CSO: 3342/76

PLANS FOR NEW NAVAL, AIR FORCE BASES OUTLINED

Naval Base on Pacific

Bogota EL SIGLO in Spanish 1 Feb 84 p 7-B

[Article by Tricortin]

[Excerpts] The government of Colombia, led by the president, Belisario Betancur, has decided to build a new, functional naval base on the Pacific Ocean to serve as a fundamental and definitive component in support of our national sovereignty, to protect our resources, provide protection and support for our fishing industry, and offer facilities for exploiting the resources of the Pacific Ocean.

This naval base will be located on Malaga Bay, on the coast of the department of Valle del Cauca. Its construction will be executed by the government of Sweden, and it will be directed by Rear Admiral Edgar Garay Rubio of the Colombian Navy.

In the development contract, to be signed by both governments, Sweden will agree to handle the construction, design, financing, supplies, assembly, and installation of the machinery and equipment.

Site of the Base

The location and features of the region where the base is to be located are as follows: 18 kilometers north of Buenaventura, 45 minutes by sea; its coordinates are: 77.20 west, and 4 degrees north. In jurisdictional terms, it lies within the Valle del Cauca department, a region with a damp climate and equatorial jungles with rainfall all year long. The average temperature is 24°C.

From the base, it will be possible to reach Buenaventura by land by means of a road approximately 100 kilometers long. To date, 40 kilometers of this secondary road have been built.

The base will be located on vacant land surrounding Malaga Bay. This land had been reserved for government use by Decree 2416 of 1934.

The base facilities will occupy a land area 1,700 meters long by 600 meters wide, in a 100-hectare area. Plans call for the base to be inhabited by a satellite population of approximately 3,000 people, who will have access to full services: health, energy supplies, drinking water, and recreation areas.

Work in Progress

According to the work schedule released by the ministry of defense, the project is now in its preliminary phase from a technical and administrative viewpoint. It is progressing routinely as planned, and the following work has already been done:

- a. Bathymetric surveying and publication of a nautical map of the bay by the Colombian navy.
- b. Topographic surveying, done by army engineers.
- c. Seismic, geologic, and soil studies, whose results will determine the technical construction parameters.
- d. At present, there is a camp with a capacity to provide services for housing 52 people.
- e. Specifications for the bidding for participation in this project have been prepared.
- f. Proposals from the various companies that took part in the bidding procedure are now being studied. These bids are for the construction of the Buenaventura-Malaga Bay road.
- g. Studies for the construction of the aqueduct and water collection systems are in progress.
- h. Architectural and urban development studies and designs are now reaching completion at a preliminary project level.

- i. An inventory of the general supplies needed for the base in terms of machinery, equipment, furnishings, gear, and tools essential for the base to operate is now being prepared and analyzed technically. This includes the docks and restricted areas for storing equipment and special materiel.

The ministry of defense noted that this project also includes other areas in which work is in progress, such as housing, health, education, and settlement areas, using as a point of reference socioeconomic studies of the areas of greatest impact in the sector of the naval base.

Objectives of the New Base

Construction of this new base is essential. Facilities for the Colombian navy along the Pacific coast are now inadequate. The current base, located in the port of Buenaventura, lacks some of the most basic services required for a permanent naval base.

Consequently, the objectives and standards set for this new base on the Pacific are:

- a. It will serve as a stimulus for jobs, education, health, and civic and military activities.
- b. Colombian engineering will participate to a great extent in the total construction of this project.
- c. The base will be located in a development pole which will be able to provide logistic support.
- d. It will be located in a strategic sector which the nation needs for its defense.
- e. It will have a suitable communications system with the interior of the nation.
- f. It will have an organic structure, both operationally and logistically. Its facilities and its areas will have to be protected and easily defined.
- g. The nation will exercise control of the maritime areas, and will take action to preserve the resources found in these areas (the Pacific waters).
- h. It will maintain and ensure control of maritime traffic in the area.

Terecay Air Force Base

Bogota EL SIGLO in Spanish 1 Feb 84 p 8-B

[Article by Tricortin]

[Text] Construction of the main supporting element of what will in a few years be the city of the future, Marandua, has now begun. This is the Terecay air force base, located in the Vichada district, between the Terecay channel and the Tomo River.

According to the general construction schedule, the Terecay air force base is to be completed in March 1986. The base will occupy 60,000 hectares in the Vichada district. In the study presented to the president by the ministry of defense, the project's total cost was not given.

Site Selection

In the aerial mapping and photography done by the Agustin Codazzi Geographic Institute, three suitable sites were found for the base: one: Mojones NP 62-VD 1 and NP 63-VD 1; two: Mojones NP 73-VD 7; and three: Mojones NP 79-VD 1 and NP 80-VD 1.

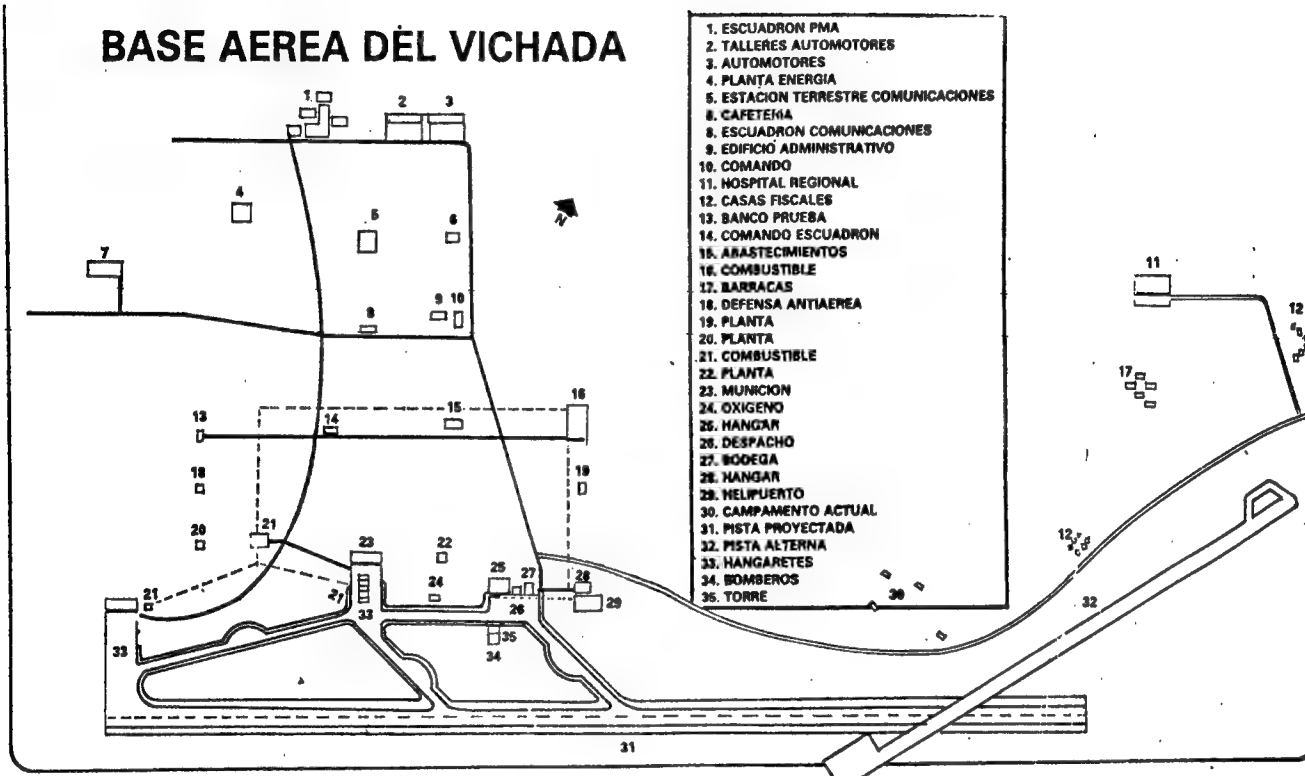
After an inspection of the three sites under consideration, and a tentative siting of the runway axes, topographic studies of the three areas, preliminary explorations of the soil, of supply sources, of surface drainage, of water supplies, and of the availability of sites for the terminal area were conducted, and transport systems for each of the three possible areas were studied. It was then decided that site number three was the best choice.

Site number three was chosen because it offers suitable topographic conditions, favorable geotechnical and drainage characteristics, a good availability of construction materials for sub-foundations, a shorter distance to transport materials for the foundations and pavements, and nearby water supplies. This means that this site is the best in terms of construction, so that it can be built more quickly and for a lower cost.

The Pilot Plan Itself

The Terecay project is designed to cover the following aspects: administrative, operational, environmental protection,

controlled settlement, and logistic support. These aspects are summarized below. The air force base will provide some components of this development pole, providing security in transport and settlement. This plan will help to determine where the population settlements and the government organizations which will offer assistance for regional progress will be located.



Vichada Air Force Base: This is a small sketch of what the Terecay air force base will be. It is located in the heart of the Vichada district.

Key:

1. PMA [expansion unknown] squadron
2. Automotive shops
3. Automotive vehicles
4. Energy plant
5. Communications ground station
6. Cafeteria
8. Communications squadron

9. Administrative building
10. Command
11. Regional hospital
12. Accounting offices
13. Test bench
14. Squadron command
15. Supplies
16. Fuel
17. Barracks
18. Anti-aircraft defense
19. Plant
20. Plant
21. Fuel
22. Plant
23. Munition
24. Oxygen
25. Hangar
26. Office
27. Warehouse
28. Hangar
29. Heliport
30. Present camp site
31. Planned runway
32. Alternate runway
33. Small hangars
34. Fire station
35. Tower

Operational area: This includes the landing strip which will be 3,000 meters in length, and approach areas of 1,000 meters at each end of the runway. There will be navigation aids. The weight capacity will be 325,000 pounds, which is sufficient for handling aircraft heavier than any presently available. This area also includes the control tower which will bring this region into the national aviation entwork, and it will have a sufficient capacity to cover other regions in eastern Colombia.

Administrative area: This area will include command and administrative offices, which will handle liaison between the civilian population and government agencies involved with this development program.

Logistic support area: This will contain the support group with its squadrons. It will exercise control over the regional hospital, the pharmacy, health facilities, communications building, Telecom facility, and educational centers.

Social services area: This area is to include housing, clubs, and recreational facilities for the base personnel. Another area is to have supermarkets, a regional hospital, and educational facilities for the civilian population.

Populated area: Plans for the best location for the town are now being studied, in conjunction with the pilot plan for the military facilities and the main runway. There will have to be joint planning for housing, along with essential administrative and public services, such as a water supply system, sewage system, communal areas, supermarkets, collection and distribution centers, churches, recreational facilities, some industry, sports fields, etc.

The settlement will have to be controlled and the greatest emphasis will be placed on supporting rural development in the Vichada area.

Field Activities Conducted

As the first step, the ministry of public works and transport is working on an access road to the Terecay base. This road includes the well-known project of linking Puerto Lopez to Puerto Carreno.

In the second place, negotiations with INCORA [Colombian Agrarian Reform Institute] have led to the transfer of ownership of the 60,000 hectares selected for the construction of the base to the defense ministry, by means of resolution no 007 of 29 March 1983.

The third step is now in progress: topographic studies of all the areas included in this pilot plan for the air force base.

As the fourth step, a site has been chosen for the construction of the camps to be used by the personnel who will work in this area, and a contract to build the camps has been awarded to engineer Alberto Cardenas.

The fifth step is the design of the spillway, water distribution system, storage tanks, and water treatment plant which will be used by the camps. This system has been designed to be compatible with the aqueduct system.

Finally, in order to provide electricity, work is in progress on the maintenance of three generating plants owned by the air force. Installation of these plants is being handled by the engineer Jorge Sanchez.

In addition to these activities, there are others as well in which both private engineering firms and government agencies such as Telecom are participating.

Consequences for the Vichada Area

According to the report presented to the president of Colombia, Belisario Betancur, the major consequences for the time being for the Vichada region are the following:

- a. Connection of the central area of the nation with the rest of the territory. Air transport for settlers in the region has helped establish this connection.
- b. The standard of living of the native personnel has been improved both socially and economically.
- c. As construction in the area has progressed, this has provided physical labor for the people in the area, and there has been both economic and cultural compensation.
- d. A new labor camp has been established, and this is reflected in the creation of this new development pole, which Marandua will one day be, beginning with the construction of the air force base.
- e. Air force personnel have begun to farm in this area, which in the past had no agricultural production at all.

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CSO: 3348/265

ANALYSIS OF MONETARY INCOME, EXPENSES OF POPULATION

Havana ECONOMIA Y DESARROLLO in Spanish Jul-Aug 83 pp 62-73

[Article by Cuban economist Garcia Figueroa, the head of the Department of Finance of the Faculty of Accounting and Finance of the University of Havana; figures in tables represent millions of pesos; passages in slantlines printed in italics]

[Text] Monetary Income Planning

In the article "Analysis of the Population's Monetary Income and Expenditures" published in issue No 63 of this review, the planning of monetary income from the point of view of its relation to national income is evaluated. At this time we will continue this line of analysis, but from the angle of the problems involved in the relations that exist between the different kinds of monetary income and their influence on the planning of same.

The basis for this analysis is the format used for our country's balance sheet.

Analysis of the Population's Monetary Income and Expenditures

Income:

Wages and other similar forms of remuneration.
Monetary income of members of cooperatives.
Monetary income of the private sector.
Pensions, widows and orphans' pensions and benefits.
Students' stipends.
Income derived from the financial system.
Other monetary income.
Income obtained through drafts and transfers.

Next we will proceed to the analysis of each of these items.

Wages and Other Similar Forms of Remuneration

This represents the chief income item from both the qualitative and quantitative points of view. In our country this sum represents over 80 percent of all income.

We must, moreover, bear in mind that the fundamental way of interesting workers in production is precisely through wages, which is why it is endowed with particular meaning.

In practice this is really two entries:

Wages, which among others includes payments on time and for performance, for abnormal conditions, for vacations, bonuses, etc. This also includes payments for irregularities in production (extra hours, interruptions, etc.). It does not, on the other hand, include payment for irregular manpower, for example, students, which entry only refers to direct payments with its content reported under expenditures, "payments to the credit financing system."

Other forms of remuneration: This part refers to payments out of the fund for bonuses, per diem allowances, travel expenses, etc.

To calculate the amount for this entry, we assume that gross wages are involved; therefore, it includes taxes and other obligations (amortization of loans, etc.) paid directly out of wages.

These items (taxes, other obligations, etc.) are later entered as expenditures under "payments to the credit financing system."

Those wages that have been reimbursed to the National Bank of Cuba are deducted from the total amount for this entry.

In the process of planning this entry it is determined that a reserve fund, handled through the national budget, be created for unanticipated variations in the content of the entry in the course of the year.

For the actual statements, the data are obtained directly from the bank, corrected for those items that affect them, such as, for example: wages paid directly out of collected revenue, amortization of debts, taxes, etc.

Now then to what wages do the contents of this entry refer? We will next present a practical example of how they are calculated.

For year X it is anticipated that the bank will pay wages amounting to 1.2 billion pesos, 100 million of which are to pay irregular workers. Payments out of the fund for bonuses, per diem and travel expenses, which are calculated to be 800 million, are not included in the above figure.

It is expected that reimbursed wages will represent 100 million pesos. Furthermore, 500 million will be paid directly out of revenues collected from the enterprises. Ten million pesos in taxes and amortization of loans that have been granted are not included in the wages paid directly by the bank (1.2 billion).

Calculations:

Wages paid by bank tellers	1,200
Wages to pay irregular workers	- 100 ¹
Bonuses, per diem, etc.	800
Reimbursed wages	- 100 ¹
Wages paid directly out of collections	500
Amortization of loans and taxes	10 ²
	<hr/>
	2,310

Wages and other similar forms of remuneration [footnotes]:

1. These entries are deducted from the total because they do not represent worker income; the amounts for these are entered in the expense category "payments to the credit financing system."
2. The amounts for this entry are also entered as expenditures under "payments to the credit financing system."

Monetary Income of Members of Cooperatives

The contents of this entry involve payments received by members of cooperatives as well as those who are regularly involved in cooperative tasks. This does not include payments in kind.

Next we present a practical example of this.

Calculation:

Total amount of payments to members of cooperatives	400
Monetary income of members of cooperatives	400

Monetary Income of the Private Sector

This refers to the income of farmers, haulers and skilled workers for sales to the state. In the case of farmers advance payments are included.

Consider the following data for the fiscal year now in course:

Amounts produced by sales to the state by farmers	280
Advances granted farmers	70
Payments by the state to skilled workers and haulers	30
	<hr/>
Monetary income of the private sector	380

Pensions, Widows and Orphans' Pensions and Benefits

This entry refers to payments to the population effected by the state that are charged to the national budget and it also includes payments for life annuities, social welfare plans, etc. Budget data as well as future prospects are employed to calculate the amount of this entry.

For the example that is being worked out here we have the following information:

Total payments under the heading of pensions, widows and orphans' pensions and benefits	150
Pensions, widows and orphans' pensions and benefits	150

Stipends

This refers to payments the population receives under this heading; included in it are the wages workers receive during training.

In our example we estimate the amount for this entry at 30 million pesos:

Stipends	30
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Income Derived from the Financial System

The contents of this entry include two items: first, financial system income, as may be the case with amortization of the national debt (former owners, etc.), and, second, income derived from the banking system, like loans to the population, etc.

The information available to us on this is as follows:

Amortization of the national debt	150
Loans granted the population by the bank	50
	<hr/>
Income derived from the financial system	200

Other Monetary Income

The sum of all the other items not specified above, like foreign currency exchange, payments for the purchase of goods, etc., is included in this entry.

In the example we are presenting the amount of the entry is estimated at 110 million pesos:

Other monetary income	110
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Income Obtained Through Drafts and Transfers

The heading of this entry is self-explanatory. For the case we are presenting it is estimated at 40 million:

Income obtained through drafts and transfers	40
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This entry is included only on the provincial balance sheets.

Thus the section of the "Analysis of the Population's Monetary Income and Expenditures" pertaining to income exhibits the following situation:

<u>Income</u>	<u>Millions of Pesos</u>
Wages and other forms of remuneration	2,310
Monetary income of members of cooperatives	400
Monetary income of the private sector	380
Pensions, widows and orphans' pensions and benefits	150
Stipends	30
Income derived from the financial system	200
Other income	110
Income obtained through drafts and transfers	<u>40</u>
Total income	3,620

In conclusion, this part of the analysis is characterized by the total amount of monetary income the population receives under different headings and which derives from the state and cooperative sector. We should point out that the income contained in this section in general involves /gross income/, that is, /not excluding/ taxes and other payments, which are reflected in the section dealing with monetary expenditures. Lastly, we should bear in mind that monetary income is presented here in both cash and noncash form.

Planning of Monetary Expenses

The other part of the analysis deals with the expenditures that are typical of the expenses of the population in the different government departments and in the cooperative sector, also including people's savings.

Under the circumstances of our country the entries that constitute monetary expenditures are as follows:

Purchase of goods.

Payments for services and other noncommercial payments:

Personal service expenses.

Transportation and communications expenses.

Housing, vacation, tourism and recreation expenses.

Expenses incurred for motion pictures, theater and other cultural activities.

Water, electricity and gas expenses.

Payments for renting a lodging.

Other service expenses.

Payments to the credit financing system.

Other monetary expenses.

Savings.

Expenditures under the heading of drafts and transfers.

We will now proceed to the analysis of each entry.

Purchase of Goods

This is the biggest entry under the population's monetary expenditures. It comprises both the amount of the population's expenses through the purchase of

goods in the retail network (groceries, butcher shops, clothing stores, etc.) and the cash spent in the public prepared food sector (food, beverages, cigarettes, bars, restaurants, etc.).

The planning of this entry is complex since, for example, establishments belonging to the public prepared food sector offer the same product at different prices, depending on the category of the establishment, and also as a result of the fact that part of the state sector effects purchases in this domain.

An actual estimate is determined on the basis of information reported by the bank as a repository of the enterprises for the sale of goods adapted to the following headings:

Expenses charged to income: This fundamentally deals with the amount of income used to directly pay wages.

Modifications in the residue of enterprise funds: This occurs when funds from the exchange fund or petty cash fund are permitted to increase or decrease, charging it to collection.

Cash sales to enterprises: This involves those sales made to the state sector in the form of cash to the public prepared food sector through the retail network.

Credit sales: As the designation indicates, this involves credit granted the population.

Summing up, to actually calculate the entry in question we proceed as follows [items arranged as column heads]:

Enterprise deposits under the heading of merchandise sales (bank data).

Enterprise expenses charged to income.

Modifications of enterprise fund residues.

Cash sales to enterprises.

Credit sales to the population.

Let us assume the following data to calculate the entry.

The different enterprises and organizations have deposited the sum of 1,445 billion pesos in the coffers of the bank under the heading of the sale of goods.

The National Bank of Cuba has authorized them to pay wages amounting to 10 million out of income obtained from the sale of goods. In accordance with the enterprises' needs for having cash on hand in the enterprise funds, the bank itself has allowed them to increase the amount by 5 million. It effected this on the basis of income from the sale of goods.

The population has purchased goods on credit in the amount of 70 million pesos.

Calculation:

Deposits from the sale of goods	1,445
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Plus:

Agency expenses charged to collections	10
Cash increment in the exchange funds	5
Population's credit purchases	70
	<hr/>
	1,530

Payments for Services and Other Commercial Expenses

The contents of this entry are quite varied since, as detailed in the general presentation of expenditures, it is composed of a broad diversity of elements. Among them we note the population's expenses for personal services (laundries, equipment repair, hairdressers and barbers, etc.), public transportation, rent payments, etc.

On the basis of the fiscal year now being recorded, we estimate the volume of the entry at 493 million pesos:

Payments for services and other commercial expenses	493
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Payments to the Credit Financing System

This covers the amortization of and interest on loans from the credit financing system, including the payment of taxes and penalties as well as other operations in connection with this system.

You will remember that, when we calculated the entry, "wages and other forms of remuneration" we itemized some categories that were noted in the contents of "payments to the credit financing system." This is the case with:

Irregular manpower wages	100
Reimbursed wages	100
Amortizations of loans and taxes	10
	<hr/>
Payments to the credit financing system	210

Other Monetary Expenses

This includes the other payments not itemized above and also revenues collected from the political and mass organizations. In our example, the volume of these is estimated at 47 million:

Other monetary expenses	47
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Savings

This includes the increment of deposits for this item, that is, the difference between deposits and withdrawals.

The information we have on this is the following: The year before the one now being planned savings had attained a volume of 80 million pesos; for this year

we expect that 15 million in deposits and 5 million in withdrawals will be effected.

Calculation:

Withdrawals for this year	5
Savings	10

Note that for the case we are concerned with we need only work with the volume of savings of the previous year (80 million); only the difference between deposits and withdrawals of the year in question (15-5-10) is involved.

Expenditures Under the Heading of Drafts and Transfers

This covers the expenses incurred by the population under these headings. You will remember that this entry is only meaningful on the provincial balance sheets.

For the purposes of the calculation we estimate the amount of this entry at:

Expenditures under the heading of drafts and transfers	60
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Summing up, the expenditures of this balance sheet present the following situation:

Purchase of goods	1,530
Payments for services and other noncommercial expenses	493
Payments to the credit financing system	210
Other monetary expenses	47
Savings	10
Expenditures under the heading of drafts and transfers	60
Expenditures	2,350

In conclusion, this part of the balance sheet presents those expenses of the population relating to their payments to the different state and cooperative organizations as well as the savings they may effect.

With the above we conclude our characterization of the entries on the balance sheet, which (on the basis of the example we have been working out) presents the following picture:

Analysis of Population's Monetary Income and Expenditures

<u>Income</u>		<u>Expenditures</u>	
Wages and other forms of remuneration	2,310	Purchase of goods	1,530
Monetary income of members of cooperatives	400	Payments for services and other noncommercial expenses	493
Monetary income of the private sector	380	Payments to the credit financing system	210
		Other monetary expenses	47

Pensions, widows and orphans' pensions and benefits	150	Savings	10
Stipends	30	Expenditures under the heading of drafts and transfers	60
Income derived from the financial system	200		
Other income	110	Total expenditures	2,350
Income obtained through drafts and transfers	40		
<hr/>			
Total income	3,620	Surplus of income over expenditures	1,270
Balance	3,620		3,620

The situation we present in this case is one in which the monetary income the population will receive is greater than their expenses, which will represent an increase in the amount of money remaining in the possession of the population. When a provincial balance sheet is involved, this situation may mean a migration of money, which means that the population of the region spends its money outside of it.

If the final balance sheet turns out to be the opposite of the above, that is, if there are more expenditures than income, that will indicate a reduction in the amount of money in the hands of the population, that is, the amount remaining in the hands of the population will have diminished. On the provincial balance sheets that may mean a migration of the money to other provinces.

We should point out that such a migration is a phenomenon exclusive to the provincial balance sheets, since the latter balance one another out at the level of the national balance sheet.

Among the fundamental reasons for migration we may cite:

- Wages paid in other provinces.
- Trips incurred by the services.
- An imbalance in the distribution of goods and services.
- Expenses due to tourism, etc.

There are two points having to do with migration which we must make clear. The first concerns the method to be applied when an imbalance occurs as the result of such migrations. Under no circumstances may a solution be sought through the approach of issuing currency, since this would result in a disproportionate increase in the amount of money in circulation at the national level. The procedure to be followed is, fundamentally, stabilization of the situation on the basis of appraisals within the framework of the "Retail Commercial Circulation Plan."

The second, closely linked with the above, is the effect it produces. Despite the fact that, as we have noted, migration is a local phenomenon, it produces effects throughout the nation, since it gives rise to changes in the purchasing base in the provinces affected by it.

Let us bear in mind that the purchasing base represents the volume of goods derived from the public demand for them and that the planned level of retail prices is assigned to public sales in the retail network in accordance with the definition contained in JUCEPLAN's [Central Planning Board] "Methodological Indicators for the Drafting of the Annual Plan for the National Economy."

In the example we have worked out this is at a level of 1.53 billion pesos.

The necessary volume of /retail commercial circulation/, which, as you will remember, together with the volume of /services and other noncommercial consumer items/ accounts for a large part of what the population consumes, is established on the basis of this element.

The two elements referred to above, retail commercial circulation and services and other noncommercial consumer items constitute the so-called /solvent demand/, that is, those funds allotted for the purchase of goods and services by the population.

According to the figures with which we have been working:

The solvent demand = $1.53 + 0.493 = 2.023$ billion pesos.

This demonstrates that the balance sheet is in fact one of the main sources for the planning of the population's standard of living.

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USE OF PRICING SYSTEM IN STIMULATING EXPORTABLE PRODUCTS

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[Article by Cuban economist Ramon Gonzalez Vergara, vice chairman of the State Committee for Prices, and Cuban economist Zoila Gonzalez Maicas, in charge of the Global Directorate for the Foreign Sector of the State Committee for Prices]

[Text] Approved by the Second PCC [Cuban Communist Party] Congress, the "Economic and Social Guidelines for the 5-Year Period 1981-1985" postulated the guidelines for complete consolidation of the Economic Management and Planning System. Among the operational domains this system encompasses the role played by the price system created by the "Reform of Wholesale Prices, the Construction Industry, Storage Sector and Technical and Production Service Rates" is an outstanding one.

In connection with this, the need for having wholesale and storage prices systematically reflect the policy of providing incentives to increase exports and reduce imports is formulated in the document in question, as well as the development and improvement of bonus and incentive systems for producers of exportable products, especially those that prove to be more effective in obtaining foreign currency.

To that end, since the drafting of the general principles approved for the price reform, the importance of introducing an incentive system for exportable products has been stressed.

As analyzed in this paper, among the wholesale prices approved in the reform for a package of exportable products, an additional bonus applied as an initial step in that direction was considered.

Once the price reform, which, as we have said, has established the initial bases for the program, is realized, it will be the right time to completely develop the incentive system for exportable products, payable in Cuban currency and which would be implemented through the price system, through the necessary complementary systems.

The system that is expounded in this paper establishes the response which, from the point of view of prices, is felt to be the appropriate one to provide for the complementary incentives suited to the production and marketing of exportable products as well as contributing to better integration between producers and exporters.

For this system to be totally effective, it is indispensable that it be integrated into the application of specific regulations in the financial world, specific regulations for the creation and distribution of decentralized funds for material incentives, planning regulations, etc., which would permit us to utilize it to the maximum of its possibilities.

As conceived, the price system alone cannot provide a solution to the whole process governed by the Economic Management and Planning System. The harmonious integration of all the associated categories: planning, finance, standardization, prices, etc., will be required to guarantee its success.

Furthermore -- and this is no less important -- this system is proposed as a step forward in the development of economic forecasting in export activities as well as succeeding in getting the producer of exportable products closer to the realities of the foreign market and his product recognized in it.

We have based our study on the current institutional organization of export activities. However, we feel that the system possesses enough flexibility to adapt itself without any hitches to any institutional change that may occur in the future.

The State Committee for Prices has issued papers that ought to be viewed as antecedents of this one, especially on the methodological instruction that governs the formulation and application of commercial markups for exportable products. These markups are designed to cover the expenses of circulation until the products are received by the export enterprises.

With this system the State Committee for Prices is through its actions trying to contribute to the export effort the country is making and which is being noted in the economic directives for the next 5-year period. Its application beginning in 1981 and its continued improvement will constitute one more factor in this effort.

Antecedents

The actual practice of the socialist countries' economic policy of these past few years demonstrates that even those with very centralized management systems have been searching for formulas for as closely as possible linking the producer of exportable products with the foreign market for his products as a gauge of their effectiveness.

In some cases they have established and developed organizational and institutional policies for assigning responsibility for the exporting of their products to the producing enterprises themselves, thus decentralizing the function of the purely commercial exporting enterprises.

In other countries they have established price-setting systems in which domestic prices are directly determined by the price level of the so-called world export market.

In the CEMA member nations more and more attention is being paid to the effects of foreign trade on the national economy and its share of the latter. At the present time we recognize the negative influence of imported inflation, especially as concerns those products that come from capitalist countries. In the field of exportable products considerable attention is also being devoted to the most suitable methods for encouraging their development and effectiveness.

A country like ours needs to develop its economy while remaining attentive to the level of international competitiveness and that is why we are interested in conscientiously using the category of prices not only as an instrument for planning, the gauging of expenses, etc., but also as a decisive element in the process of encouraging exportable products.

But we can only play this role if the price system allows the deviations between foreign and domestic prices to be economically determined. In other words, we have to look for any possible ways for the economic forecast system to more directly register this reality in terms of the export items for which this may be possible.

Initial Incentive Contemplated in Price Reform

As part of the process of stimulating exportable products, in the wholesale price reform we established as an incentive policy the inclusion of an additional bonus, with respect to the policies generally applied, in the total earnings of some production subbranches for exportable products, the amounts of which bonuses are obviously included in the prices of the enterprises that have approved them.

As concerns the above-mentioned additional incentives, the final development of the reform program showed a total of 16.9 million pesos (7.32 percent) against total earnings of 231.2 million for the export subbranches.

The export items to which this form of incentive has been applied are the following:

<u>Subbranch</u>	<u>Product</u>
Ferrous metal mining	refractory chrome
Nickel mining	nickel oxide + cobalt
	nickel sinter
	nickel sulphide + cobalt
Nonferrous metals	18% and 30% copper concentrates
Sugar industry	raw sugar
	refined sugar
	blackstrap molasses
Confection industry	caramels and confections
	cocoa
	cocoa butter
Fruit and vegetable preserves industry	fruit preserves except compotes
	ketchup
	citrus fruits
	tomato juice

Beverages and liquors	amyl alcohol
	ethyl alcohol
	bottled rum
	bulk rum
	cremes and cordials
Tobacco industry	cigars
	cigarettes
	cut tobacco for pipes

Given the characteristics of the fishing industry, an additional bonus was not specifically considered.

These additional bonuses were mainly calculated by the State Committee for Prices. Through it the following objectives are being pursued:

To permit the creation of more decentralized funds in those enterprises that produce exportable products to the extent they meet the quotas established for their development and utilization.

When production quotas are not met, the quota for exportable products will be of more importance in the enterprise's general plan and, consequently, insofar as the opportunity for applying the planned incentives is concerned.

To start off by establishing better conditions for operating within the context of the economic forecast for enterprises.

Now the establishment of this incentive system through enterprise prices constitutes only the first step in the general procedure for providing incentives for exportable products.

Additional Incentive System

Starting with the existence of the above-mentioned initial incentive, it will be necessary to complement it with the possibility of additional incentives expressed in the domestic price system.

This additional incentive system has as its objectives:

To promote a more direct link between the income in Cuban currency produced by exportable products and recognition of such products on the foreign market. That is, to link the producer with the problems involved in setting a foreign market price on his product by trying to get him to exercise the proper influence in obtaining better prices. In connection with this, the exchange rate approved for the price reform program will play the opposite role to the one governing imports, to a greater extent encouraging exports to capitalist countries, provided that the exchange rate for Cuban pesos is more favorable.

To establish a flexible price policy for exportable products, one which will tie them to factors like:

Quality.

Changes in the product line and presentation.

The exigencies and peculiarities of the foreign market.

The seasonality and execution of a minimal volume of shipments.

Packaging and special containers.

Other considerations.

The system to be applied will permit each producer to directly receive the profits derived from his production efforts when they work in favor of obtaining better foreign prices. The better he reacts and adapts himself to the demands of the foreign market and more effectively complies with the requirements of quality, presentation, deadlines and shipment volumes, the more he will make it possible to obtain better foreign prices and, consequently, his income will increase.

On the other hand, export enterprises should also be interested in obtaining higher foreign prices, improving their commercial operations, creating the best conditions for marketing the products they are handling, in short, in exceeding the quotas of their plans.

A parallel goal we are pursuing through this system is, along with the other measures that are being applied in this country, the promotion of a closer and more effective association between the producer and the exporter; to get the producer not to be indifferent to the foreign price that is obtained for his products, for him to receive higher profits when he is successful, but also less when good results are not achieved.

The values to be utilized for this incentive would be arrived at as follows:

1. We take the actual foreign contract price of the product in question, converting it into Cuban pesos with the new exchange rates approved by the National Bank of Cuba for the setting of prices.
2. The foreign price is compared with the enterprise's price for the exportable product plus shipping costs and profits, that is: enterprise price + commercial markup + variable cost of exportable product.

Enterprise price: This is the price approved for the product under the wholesale price reform. It covers costs and the profit established up to the moment the products are deposited on the shipping ramp of the producing enterprise.

The commercial markup on the exportable product: This covers shipping costs and profits. That is, the costs incurred from the door of the producer until delivery of the product to the foreign trade enterprise in accordance with the terms agreed on with the latter in the contracts in question.

Variable cost (special packaging, changes in the product line, peculiarities of the foreign market, etc.): These costs will only be calculated for export products whose enterprise prices do not include the above-mentioned costs, that is, which are packaged, produced and exported under different conditions from those normally established for the price. The existing standards for

specification of quality will be used as a basis for determining these prices or, when these are lacking, the IR-14 models presented in the price reform will be used.

3. The maximal limit per exportable unit for providing incentives in Cuban currency would be the result of the above-stated comparison. That is, the foreign price in Cuban pesos (enterprise price + markup + variable costs).

4. We feel that the implementation of this system should only be applied to exportable products that are not subject to contractual prices of a preferential nature, that is, products that have preferential prices, like sugar, nickel and citrus fruits, are excepted in socialist countries, since the contribution to the budget in terms of the foreign trade differential is fundamentally concentrated in these products. Also, since there is an established industry price for sugar, even in sales to capitalist countries, it would be excluded from this system.

If the system is applied to the aforementioned exportable products, this situation would involve a redistribution of income, chiefly in favor of the enterprises that produce and market them. Moreover, included in their prices these products have a profit volume that is higher than the subbranch average approved for the price reform, mainly in view of the nature of our country's basic exportable products.

On the other hand, application of this system to the rest of the exportable products would help the process of diversification of our exports and the promotion of new products.

5. This system may produce some reductions in the foreign trade differential, reductions that should be planned and form part of the exporting enterprises' financial plans. However, we feel that these appropriations will be small in size when we consider the fact that most of the differential would not be affected. We feel that the positive results accruing from application of the system will counteract these minor appropriations.

6. These incentives would be paid for by the exports effected, thus actually constituting a process of liquidation of the producer's exportable products by the exporter for each operation and on the basis of real prices.

That is, the incentive would apply to all operations, not only to quantities or prices in excess of quotas, in view of the fact that the fundamental objective of this system is to achieve a more direct connection between the producer of exportable products and the foreign prices for his products.

Therefore, this system will be applied even in cases where the export quota is exceeded or of increased costs, but we must bear in mind that the very method JUCEPLAN uses for creating material incentive funds will succeed in containing this problem, through application of the method, thus lowering producers' income levels by the very reduction of the amounts of these products when they do not meet selected quotas. At the same time the chief objective, the producer-foreign market connection, is not lost. If the production quota

is not met, the producer will see his chances of getting material incentive funds reduced in accordance with the quotas of the decentralized funds system.

7. As a condition for payment of the maximum amount of incentive in Cuban currency, it is required that exports show a net income in foreign currency since:

- The effectiveness of exports must also be expressed in terms of their efficacy in obtaining foreign currency.
- The foreign currency balance (for example, a source and important component of every exportable product) may indicate the expedience of exporting a product even though it may appear to be unprofitable in terms of domestic price values.

Therefore, we feel that the existing procedure for the creation and utilization of the "foreign currency financial program" to stimulate exports announced by JUCEPLAN should be used as a basis for implementing this system. It will go on improving side by side with the development of the foreign currency incentive procedure itself.

8. The incentive will generally be distributed on the basis of 70 percent to the producer and 30 percent to the exporter (including the intermediate marketing enterprises). In this way producer and exporter have an equal interest in reducing the variable costs of the export process as well as in the foreign price level to be obtained.

The incentive for the exporter will be materialized through application of the specific methodology that will be applied to the exporting enterprises for the creation and payment of material incentive funds.

9. In the event the exportable product exhibits domestic price levels (enterprise price plus markup plus variable costs) higher than the foreign price, the way such a situation is to be handled will be analyzed according to the loss shown in the production or marketing operations.

In such cases it would primarily be necessary to analyze the export process (production, shipping) with an eye to determining the reasons for this apparent lack of effectiveness and how to improve the price system.

An important element in this analysis will be the determination of whether wholesale prices are in all cases sufficiently differentiated for those products destined for domestic consumption and those that are to be exported. That is, to determine whether domestic prices (including commercial markups) are in themselves acting as a big enough incentive system for producers and marketers of exportable products.

Complementing the above, the net profit in foreign currency for the exportable product in question must be analyzed since, if it is a very good one, the appropriateness of continuing to export the product and succeed in making it more effective will be more obvious (see Appendix 2).

This will involve the need for studying the possible establishment of special financial arrangements and subsidies to deal with this situation, especially in those cases in which state decisions to promote exports may involve losses in Cuban pesos.

10. The additional incentive that is planned in terms of prices so that they may play their real role should be implemented through the policy of creation of funds in the enterprises and in the awarding of bonuses.

It will be up to the Economic Management and Planning System's Establishment Committee to establish procedures for regulating the utilization of funds produced by this system. We feel it appropriate to analyze the justification for creating a fund for the development of certain export items that have to cover special requirements as far as expenses for research, development, design, packaging and other factors necessary to be able to compete at the international market level are concerned. These expenses can be financed in a decentralized way through this fund.

11. It is important to emphasize that the procedure we have described will play its most effective role in the case of those exports destined for the capitalist countries through the increased income in Cuban currency that will be produced as a result of the application of the rate of exchange approved for those countries in converting foreign prices into Cuban currency.

This is obvious, to say nothing of the benefits inherent in the increase in income for the national economy in the form of convertible foreign exchange.

12. Provided that exportable product prices are not tied to the national economy, but are instead effected through a connection between producers and exporting enterprises, as concerns these the policy will not proportionately change the reform program, rather in very case resulting in a redistribution between the foreign trade differential and producers and exporters' profits.

Illustrative Example (Appendix 1)

An example of the application of the proposed Cuban currency incentive system (figures should be regarded as typical).

Product: P-350 gray cement (in bulk and in bags).

Procedure:

Maximum limit of incentive in Cuban currency	=	Foreign price	-	Enterprise price	+	Enterprise commercial markup for exportable product	+	Variable costs
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a) Gray cement in bags

Foreign price	= 36.74 pesos/MT (Cuban peso)
Enterprise price	= 30.30
Commercial markup for exportable products	= 4.00
Variable costs	—
Maximum limit of incentive in Cuban currency	= $36.74 - (30.30 + 4.00 + 0) = 2.44$ pesos/MT

b) Gray cement in bulk

Foreign price	= 31.74
Enterprise price	= 26.80
Commercial markup for exportable product	= 2.00
Variable costs	= —
Maximum limit of incentive in Cuban currency	= $31.74 - (26.80 + 2.00 + 0) = 2.94$ pesos/MT

	<u>70 % to Producer</u>	<u>30 % to Exporter</u>
Gray cement in bags	1.70 pesos/MT	0.74 pesos/MT
Gray cement in bulk	2.05 pesos/MT	0.89 pesos/MT

Naturally, these levels would be maximal in view of the fact that, as we can see, the entire foreign trade differential is redistributed between the producer and the exporter and marketer.

The system is flexible enough to introduce variations of this sharing of the estimated differential.

This system's connection with the foreign exchange efficacy of exportable products would be established in the following way:

We propose /to effect payment of the maximal incentive limit in Cuban currency/ [in italics] when this corresponds to a given level of net income in foreign currency. The latter would be calculated for optimal exploitation of the potential or yield of the exportable product (which does not imply that they have the same value).

The model for calculating net foreign currency income will be established by JUCEPLAN in terms of the procedure already referred to for the creation and utilization of the "foreign currency financial program" for the stimulation of exports.

Example:

(gray cement in bags)

Incentive limit in Cuban currency - net foreign currency income = total (capitalist and socialist areas).

Appendix 2

Example of the procedure in the case of products for which the differential between foreign and domestic prices is a negative figure (figures are typical).

Product: grapefruit.

Foreign contract price	140 pesos/MT (Cuban peso)
Storage price (1 January - 31 August)	189
Commercial markup for exportable product	11
Variable costs	—
	—
Total domestic price of exportable product	200 pesos/MT
Difference	(60 pesos/MT)

Note: In this case there would obviously be no additional incentive in Cuban currency. Therefore, the storage price for the period should be analyzed to see whether it is sufficiently differentiated in relation to the price of the product itself, but that it is destined for domestic consumption. That is, it should be determined whether the storage price for the export item meets the particular conditions and demands of the production process the product requires as an exportable product and it, therefore, itself acts as an incentive for this activity. The commercial markup will also be analyzed.

If this is the case and, if it is furthermore corroborated that the product is (or may in a short time be) effective from the point of view of the net foreign currency profits it shows as an export item, the financial procedures and subsidies that are domestically established to maintain and develop the exportable product are valid.

Both levels of income must be appropriate /in order to effect/ [in italics] payment of the incentive in Cuban currency. If a reduction in foreign currency income should be produced, the incentive in Cuban currency would be reduced by a given percentage which must be subject to a specific regulation.

Conclusions and Recommendations

We feel that development of the proposed system is in order since through it a more direct link between the producer of exportable products and recognition of his product on the foreign market will be fundamentally promoted. That is, to link the producer with the problems involved in setting a foreign market price on his product by trying to get him to exercise the proper influence in obtaining better prices.

As an essential point, we must, on the other hand, stress the fact that the application of this incentive system will appreciably contribute to the development of the process of diversification of our exports and the encouragement of new products.

To achieve its basic objectives, the system as such will require the implementation of certain considerations that should, in our opinion, be invoked as points of departure. Among the main ones are:

To see to it that the system is applied only for those exports that show a net income in foreign exchange.

To study the special financial procedures and subsidies to be established in those cases in which the exportable product shows levels of domestic prices that are higher than the foreign price. This analysis would obviously be closely connected with the net profit of the export item in question since, if that is very high, the appropriateness of retaining the item and succeeding in making it more effective will be more obvious.

The incentive system that is being proposed should be implemented through a proper policy of creation of funds in the enterprises and the awarding of bonuses.

The appropriations the system may give rise to in terms of the foreign trade differential must be planned and form a part of the exporting enterprises' financial plans.

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ROLE OF PRICE INCENTIVES IN CONSERVATION, PRODUCT RECYCLING

Havana ECONOMIA Y DESARROLLO in Spanish Jul-Aug 83 pp 164-187

[Article by Cuban economist Ruben Toledo Diaz, director of prices for the Chemicals, Mining and Energy Department of the State Committee for Prices; passages in slantlines printed in italics]

[Excerpts] This paper was presented at the symposium on "The Need for an Economic Forecast System and the Objective Nature of Its Application as a Foundation for the National Economic Management and Planning System" in 1981. Nevertheless, because of its importance and validity, ECONOMIA Y DESARROLLO has decided to publish it.

In this paper we will deal with certain aspects of the setting of prices from the point of view of the incentive function they perform as part of the categories and laws that govern the socialist economy. The first section, "Prices and Economic Incentive Systems Under Socialism," is designed to place the category "prices" in its proper perspective in the context of economic policy and to analyze their incentive function as one of socialism's economic management instruments. [not included]

In the second section this problem is approached through two concrete examples: the setting of electricity rates and the prices of reusable glass containers. The role of rates to encourage conservation and sensible use of electrical energy is not to be doubted. As for reusable glass containers, peculiarities in the setting of prices for them in the interests of encouraging the above have motivated their inclusion in this paper.

And finally, in the third section, we will sketch certain general considerations of the problem of providing incentives under our current price system.

We have very much borne in mind the chief experiences we had with the recently realized first wholesale price reform, while evaluating the major points which in our judgment will mark its future improvement, limited due to our ignorance of the actual effects that will result from the utilization of the new prices and rates in monetary and commercial relations since 1 January 1981.

Price Incentives for the Recycling of Glass Containers¹

In setting prices in the raw material recycling industry we must consider incentives at each link intervening in the economically based recycling of any product that may be of use, whether it be for its liquidation, to replace raw materials, to manufacture marginal products or for export.

One peculiarity of prices in this industry is the fact that in general we do not take into account the /cost of production/ factor which, as we know, is the most important component in the price. This is due to the fact that scrap or waste that is involuntarily produced during the production processes and whose costs are associated with the basic products is usually involved.

Reusable products, as is the case with containers, may also be involved. In such cases generally the slight value of the product is not enough to make it worthwhile to return and reuse them.

Among the recyclable products we have selected for this paper, one that is invested with interest and complexity because of the number of links that intervene and the diversity of the economic levers that have to be harmonically engaged to successfully handle the interests of the national economy.

The economic and social guidelines for the 5-year period 1981-1985, approved by the Second Cuban Communist Party Congress, expressly directs people "to increase the recycling of used bottles as a way of conserving resources and energy," and there are prior resolutions by the government in the same direction. In many instances the nonavailability of glass containers constitutes a limiting factor for the processing of articles in short supply, especially foodstuffs.

A characteristic of this system is the fixing of high sales prices [on reusable containers] for the public, equal to the purchase price in order to recover the latter. Through this system people's monetary resources are temporarily immobilized until they return the empty containers properly cleaned and without caps or labels to the retail trade enterprises. The deposit price must be high enough to motivate people to return the containers, 20 centavos in general.

People must be assured that their money will always be refunded to them while the containers they bring to the locations indicated are collected with no major difficulties. If in fact this should not be the case, the prices to the public of the products these containers hold will be unfairly increased and the objective of recycling will not be achieved.

There are different sorts of glass containers that are being recycled through buying and selling to the public with good results. Thus there are milk bottles or bottles for other beverages, which are brought to the retail enterprises and collected from them by MINAL [Ministry of the Food Industry] enterprises, Omnia jars (preserves, etc.), ketchup bottles and others distributed by the wholesale trade enterprises, which are collected by the retailers for the raw material recycling enterprises (ERMP) of the State Committee for Material and Technical Supply.

In this analysis we will limit ourselves to this last-named type of container, whose circulation is the most complex and includes the remaining types. We suggest that the reader refer to the appended diagram, in which the system we are about to analyze and the enterprises that participate in it are illustrated.

The retail trade enterprises, and within them the workers directly responsible for the buying of empty containers, constitute the second link. A fee has been set that goes to these for each container recovered and a monetary payment to the workers in question, realized in the form of a wage bonus. The amount of the enterprise's expenses for these bonuses must not exceed a fee of 0.5 centavos per recovered container which it obtains through such transactions.

The prompt collection of containers by the enterprises responsible for that, in this case the ERMP, must also be encouraged. To that end, economic contracts are required that delimit collection schedules and provide for an additional payment for not complying with them, as an economic sanction.

The enterprises that ship the containers to the consumer industries receive a margin of commercial profit that permits them to operate on a cost accounting basis.

But it is also true that the price of containers recovered for the food industry enterprises must be less than those of new containers produced by the glass enterprises or imported. How can this be accomplished if, right from the start, the 20 centavos people are paid is even now higher than the prices of new containers?

The solution we adopted was to make the buying and selling price for the public independent of the rest of the traffic in containers, establishing one point at which they are valued at 20 centavos and, when people return them, they are devalued by the same amount, as can be seen in the above-mentioned diagram.

In this way the food industry only pays the amount produced by the fee granted the retail enterprises for the recovered container plus the one that goes to the raw material recyclers, a total figure which naturally must be lower than the price of a new container.

With this price correlation the food industry will prefer to buy recycled containers to in that way reduce its costs, avoid or reduce the volume of loans needed to finance its rotation facilities, thus increasing its profits which in the end will provide a source for the financing of economic incentive funds and the indicators that condition the latter will be improved.

To do things this way, we must at one point establish the value of these containers at a price for the public and later devalue them in the same amount, thus isolating the price in question from the rest of the container traffic. Obviously, the only business level through which both filled containers and recycled ones move is the retail trade, but the currently existing accounting system in these enterprises makes it impossible to recommend this alternative, in the judgment of specialists in this line of business. This has forced us to fix prices in the wholesale trade enterprises, which means that they handle

the billing on recovered empty containers, even though the product is actually collected at the retail enterprises by the ERMP, as we have said above.

In short, in this example we have seen how it is necessary for us to operate in support of food industry development plans and the recycling of glass containers, a whole system of incentives involving the prices of new containers, recycling, wage bonuses, costs, profits, incentive funds, loans, economic contracts and sanctions for noncompliance with them. All these devices and the necessary improvement that their application will make possible should contribute to the better fulfillment of recycling quotas, combined with other essential elements like moral incentives, the work of the CDR [Committees for the Defense of the Revolution] and revolutionary publicization of the need for the conservation and recycling of containers.

Nonresidential Electricity Rates

It is public knowledge that the generation of electrical energy in our country depends on the consumption of fuel oil, which is obtained by refining the crude oil the USSR with solidarity sends us.

We also know about the energy crisis, whose objective basis in addition to the inflationary capitalist situation lies in the fact that oil is a nonrenewable natural resource, the source of a large variety of valuable chemical products, and in the process of being exhausted on a worldwide scale.

As for our country's electricity generating capacities, despite the fact that they have grown at an annual rate of 8.7 percent and will increase by more than 50 percent in the next 5 years, they are insufficient to satisfy the demand during the hours between 1800 and 2200, known as the "peak period."

Now there are more than enough reasons for one of our society's cardinal interests to be precisely the elimination of waste and the senseless use of fuels and energy, since an electric rates system — including residential rates — has recently been established whose essential element is to play the role of an incentive for the sensible use of energy. They are, therefore, manifestly different from those previously in effect which discouraged conservation, lowering the charge per kwh as consumption rose.

The new residential rate that went into effect on 1 October 1980 has been the object of widespread publicity and analysis by the mass communications media, which is why we feel it is unnecessary to dwell on it in this paper.

The new nonresidential rates are composed of the sum of two basic charges: a fixed charge and a variable charge.

The amount of the fixed charge — as its name indicates — does not depend on what the user consumes, but on the level of the maximum demand for the energy contracted for, in kilowatts. This parameter expresses the level of energy demand which, according to the contract, the user promises not to exceed and it depends on the amount of the load, the equipment, etc. that may be simultaneously connected as well as how such equipment is operated. Charging by this

method encourages users not to consume power at peak levels during the entire day, flattening out the curve of their daily needs as much as possible and the amounts they use are economically sustained in terms of the fixed expenses of the electric power industry (amortization, wages, etc.).

For those who exceed the maximum level of demand contracted for they are thinking of tripling that portion of the rate corresponding to the fixed charge for each kilowatt over the limit, but the user will be rewarded with a bonus when the maximal demand in a given month is less than the average for the preceding year with a production level at least equal to that.

The variable charge will be applied for the consumption of energy in kwh. It is based on the variable expenses the electric power industry enterprises incur in the consumption of oil, etc. The charge per kwh under this heading will no longer decrease as the number of kwh increases, but will on the contrary differ during different periods in the day for large consumers to encourage consumption during the night hours and discourage it during the "peak."

By means of a record of consumption obtained with measuring equipment specially imported for this purpose, which is right now being installed, it can be determined how much power is consumed during each period, with the day divided as follows: 1800 to 2200 hours (peak), 2200 to 0600 (night) and 0600 to 1800 (rest of the day).

During the "peak period" the variable charge for the "rest of the day" will be quadrupled and it will be cut in half for the night hours for the purpose of encouraging users to shift consumption to those hours during which generating capacities are underutilized. "Load adjustment" plans will thus receive strong support, bringing the interests of the society into agreement with those of the collective body of the enterprises. The bonus fund will later be responsible for seeing to it that the interest of the individual is also made to agree with this system.

In the case of the sugar enterprises, along with the increase in the prices of fuel oil and firewood the electricity rate was raised, which — in addition to bringing these prices closer to socially necessary operating expense prices — will encourage these enterprises to preferentially use bagasse as a way of reducing costs. Those enterprises that can generate and deliver power to the electrical energy system will be provided with incentives by paying them high prices per kwh delivered, especially during the peak period, which in the case of the sugar enterprises will encourage them not to waste or inefficiently burn bagasse.

These measures are in keeping with the "Economic and Social Guidelines for the 5-Year Period 1981-1985," which state: "To carry out a program for the remodeling of the basic energy structure of the sugar mills that will enable them to reduce their consumption of oil and energy in general, to produce bagasse in excess of the required quality... and to reduce the energy consumption of the national network until a balance is obtained or a surplus of same is delivered."²

Agricultural enterprises must limit operation of their electric irrigation pumps during the "peak period," violations of which will be penalized by doubling the total amount of the bill for the month in which the violation is noted.

In addition to all this, a /power factor/ clause has been provided. This technical indicator, unique to this activity, reflects the efficiency with which energy is utilized. If it is under 0.90, losses and problems are caused in the electrical energy system, which is why the rate will increase proportionate to the magnitude of the drop in the /factor/. If it is higher, up to the optimal level of 0.96, the rate will drop. Many power failures produced during the day are due to low /power factor/ levels in the electrical energy system.

Practical experience and the recommendations of specialists in this branch will permit later improvement of the rates in effect.

Some Considerations with Regard to the Use of Incentives in Our Price System

It is public knowledge that prices have constituted one of the limiting factors in the development of economic forecasting in our country. The tasks accomplished since the creation of the Organic Price System³ in our country, as concerns the drafting of the official price lists, standardization of methods and other organizational bases and training, have only constituted the first steps necessary for the creation of a price system that is more in keeping with the Economic Management and Planning System.

The official lists that went into effect in 1977 constituted assemblages of prices from different periods, formulated by different standards, without following any uniform policy over the past 20 years, and many of them dated from the capitalist era.

In the "Topics and Resolutions of the First Party Congress" it is noted that:

"The existence of commercial relations between enterprises makes it necessary to formulate and utilize a price system that will permit adequate forecasting of efficiency and profitability, serve to measure operating expenses, the distribution and redistribution of the overall social product and the national income, make it possible to evaluate the alternatives foreign trade offers and constitute a suitable financial balance for the state, the enterprises and the population."

As part of the timetable for the introduction of the Economic Management and Planning System, a reform of wholesale, storage and construction prices and of rates for technical and production services was realized, this being the country's first experience in this area. The wholesale price reform constituted the first step aimed at the creation of a price system and, as such, it was carried out in conformity with the main directives of our general, economic and social policies.

The objectives to be attained were:

- a) That prices to a greater extent reflect socially necessary operating expenses.
- b) That the new prices contribute to the functioning of economic forecasting in the enterprises (cover costs plus a regulated profit for those enterprises that operate normally).
- c) That correlations be established between foreign and domestic prices that will provide a foundation for the stability of the latter and the policy of development of exports and replacement of imports.

The criterion of using prices as an important lever of economic incentive was in evidence in the formulation of the new prices, as we noted in the preceding section with only two examples out of the many that could be cited.

Thus, as of 1 January 1981, a profound change was initiated by for the first time applying a whole set of new criteria relating to the operation of an economic price incentive instrument. But we cannot overrate what has been accomplished since we are witness to merely the beginning of the process of establishing an economically founded price system that is in keeping with our country's needs and specific requirements.

In the way of the practical achievement of the planned objectives there were many limitations, among which we should note the following:

For the new prices to be able to serve as incentives to increase the quality and diversification of product lines we had to have available to us technical and regulatory documentation. In the performance of this task we did not assemble the documents we needed in time for them to be used in drafting the price reform.

Weak points in the cost records; little application of the rules for planning, estimates and cost records. Absence of historical cost series and other statistical indicators.

Lack of precision in the planning of new prices under the conditions of the 5-year period 1981-1985 considering the factors involved in such planning:

- a) Planned costs and their reduction on the basis of increases in productivity due to technological development, organization of the work and production.
- b) Profit and profitability, based on the sizes of economic and material incentive funds as well as the sizes of contributions to the national budget.

To take into consideration the intersectorial and intrasectorial relations that might guarantee satisfactory proportions, we needed to have available to us the intersectorial balance sheet, the application of other economic and mathematical models and the methods for computing them, but we could not obtain these important instruments.

Both the sector organizations and their branch organizations and enterprises did not have staff that were trained and experienced in the domain of prices and we had no previous experience in this country with regard to the realization of a price reform.

As part of the improvement and consolidation of the Economic Management and Planning System, the Second Cuban Communist Party Congress resolution concerning it states: "In the domain of prices consistent application of the general reform of wholesale, storage and construction prices and rates for technical and production services must constitute one of the basic objectives of the effort and we must be assured that these contribute to an increase in exports, the replacement of imports and in general to improvement in the efficiency of social production."

To implement this resolution of the Second Congress, in our opinion two great efforts are called for: The first concerns the both quantitative and qualitative improvement of all matters involved in the category of prices as such; and the second concerns the analysis of and integrated approach to the measures proposed in the domain of prices in terms of how they are linked and interact with the rest of the levers used in the Economic Management and Planning System.

To claim to offer "formulas" as to how to organize and direct our future effort is something that is totally removed from our purposes. We only propose to point out certain considerations in the spirit of cooperating in the work of analysis and detailed description of those specific areas in which we should make progress.

The "General Methodological Instructions" for the setting of enterprise prices for new industrial products, both imports and domestically produced items, which specifies on which bases the current setting of prices should continue to be developed, was recently issued. We must, on the other hand, emphasize that the methods that are presented in these new instructions are no more than generalizations on possible specific variations, to be implemented taking into account the individual characteristics of each group of products.

This, on the one hand, means that the possibilities for applying special price-setting methods have not even been exhausted and, on the other, that the methodologies we have recently established are not perfect, thus requiring tight control to detect their real virtues and defects and to act in consequence of them.

It may also be essential to revise and modify prices that have already been made official, which must obviously be evaluated without forgetting the interests of the stability planning requires as well as the effects that this will have on consumer and production enterprises.

Exercising great care in connection with this, we will have to apply the principle of price flexibility, that is, the optimal combination of stability and price mobility.

An essential aspect of our job will be to delve into the whole problem of production costs, the basis for prices. This includes the correction of possible errors on the cost cards used, improvement or elimination of specifications used in a given branch for estimating, planning and recording costs and the cost systems of the enterprises and introduction of the "Cost Statistics Information System." Along with this, it is important for all of us comrades who work in the domain of prices and make inspections to see to it that the enterprises are complying with the regulations in this area to acquire greater command of this category.

As regards incentive systems that operate through prices, we must keep watch over the fulfillment of quotas, see to it that the anticipated levels of profitability are really achieved, which will involve utilization of the "Price Statistics Information System" to be introduced by the State Committee for Statistics and other reports on the situation at the enterprises. This is important, not only in cases involving applications of special methodologies, but in these we will have to bear in mind that all the proportions established in terms of the different parameters for which incentives are to be provided will not necessarily be the most appropriate in every case. If this were the case, we might encourage the manufacture of undesirable products which would be involuntarily benefited.

We must also check to see whether the methods, parameters and other indicators selected to formulate prices are qualitatively satisfactory.

Here we must insist on the problem of quality and prices. On the one hand, there are the current limitations of documentation on technical matters and standardization, but we must also continue to analyze the criteria for setting prices under this heading so that the magnitudes of the differences in prices really do provide incentives. We have to look into how wage bonuses for quality and other additional expenses that generate higher quality affect costs, whether the prices that are obtained sufficiently compensate for these additional costs.

As our standardization efforts proceed, it will also be expedient to adjust the criteria followed in the setting of prices.

In the field of export incentives it will be necessary to establish price systems which, as an integral part of all the levers that must be engaged to advance this objective, will succeed in really providing incentives for enterprises to tackle the complexities of production, etc. it imposes on them.

The replacement of imports will be handled in a similar manner. In this case it frequently happens that the replacement of an imported product by a domestic one is correct analyzed in terms of foreign exchange, but, on the other hand, the total costs to the nation are higher than the domestic price of the imported product that is to be replaced.

Under such conditions, if the producing enterprise were to be provided with incentives covering its costs plus a profit, the price would be higher than that of the similar imported product, which is why the consumer enterprise would always prefer the import.

Nor is it easy to raise the price of the imported product either, since that would affect costs and might even make the consumer enterprise's product unprofitable. Interesting both the producer and the consumer is an objective that must be attained despite the difficulties that have to be resolved.

The problems to be dealt with are really varied and complex, since we no longer start with "disorder," but with a price system. In closing, we would merely refer to the need for all of the categories to conform to the necessary coordination among themselves. And the example to be emphasized here might be the system of payments through funds.

We do not question the advantages of this in terms of the sensible use of such funds, etc., but we do alert the reader to the possible discouragement of technical progress that may be produced by the fact that in many cases new investments have a value that is disproportionately greater than that of the equipment that is already installed, a situation that is not always compensated for by increases in efficiency, productivity, quality, etc.

This is already the case in terms of amortization and the effect of discouraging enterprises from technologically expanding and making improvements because of the stability of payments through funds, which was furthermore not considered in determining profit amounts during the price reform, could be strengthened.

As we noted above, we will not offer superficial solutions to these problems. Our fundamental conclusion is that the complexity, responsibility and diversity of the problems to be resolved in this 5-year period will be even greater.

We cannot remove ourselves from the objective requirements of the effort that must be expended and we have to prepare ourselves for it through improvement and constant study, by borrowing and adapting the experiences of the socialist countries, developing our research to higher levels and being responsible and demanding in our application of and control over what has been established through the inspection of prices.

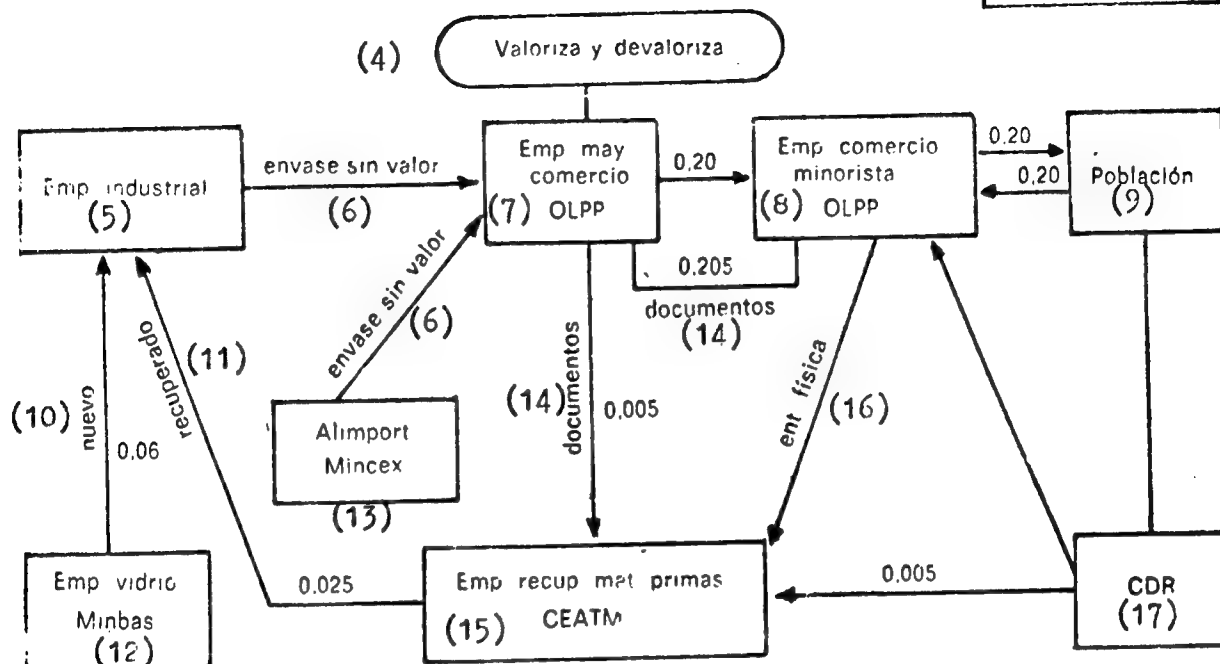
The Second Cuban Communist Party Congress resolution on the Economic Management and Planning System, in which we are clearly instructed that "the fundamental effort during the next 5-year period in this domain must be aimed at obtaining in growing dimensions tangible results as concerns the efficiency of the economy, results that will be expressed in an increase in the profitability of our social production, a reduction in costs, an increase in labor productivity and a rise in the quality of our production," constitutes the primary instrument in this effort.

(1) Sistema de recuperación de envases con la población mediante compra venta

(2) Esquema General

(3)

Precios
Convencionales



Key:

1. System for the recycling of containers with the aid of the public through buying and selling.
2. General plan.
3. Conventional prices.
4. Values and devalues.
5. Industrial enterprise.
6. Container with no value.
7. OLPP [expansion unknown] commercial wholesale enterprise.
8. OLPP commercial retail enterprise.
9. Public.
10. New.
11. Recycled.
12. MINBAS [Ministry of Basic Industry] glass enterprise.
13. MINCEX's [Ministry of Foreign Trade] ALIMPORT [Cuban Enterprise for Import of Foodstuffs].
14. Documents.
15. CEATM [State Committee for Material and Technical Supply] raw material recycling enterprise.
16. In kind.
17. CDR.

FOOTNOTES

1. Taken from the article, "The Utilization of Economic Incentives in the National Economy," by A. Gusarov, published in PLANNED ECONOMY ISSUES, No 5.
2. Taken from Section 7, "The Development of Industry," of "Economic and Social Guidelines for the 5-Year Period 1981-1985."
3. In Cuba the Organic Price System is composed of the State Committee for Prices, which manages it, the price organizing units of the agencies of the state central administration and the provincial and municipal organs of the People's Government.

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CTC OFFERS INCENTIVES TO SUGAR WORKERS

Consumer Goods, Trips Available

Havana GRANMA in Spanish 20 Jan 84 p 1

[Article by Juan Varela Perez]

[Text] The extensive and diverse national fund of incentives for outstanding workers of the present sugar harvest exceeds 85,000 items, according to an announcement made yesterday in this capital by Lazaro Dominguez, executive secretary of the CTC [Central Organization of Cuban Trade Unions].

Since the 1980-1981 working season, a plan of additional items for all the workers, including the industrial workers and those engaged in manual and mechanized labor, has been carried out along with the plan for distributing domestic electrical appliances among the men and women who excel in the fulfillment of tasks related to the country's most economically important product.

Dominguez stated that this plan has received enthusiastic support from the workers, who, by complying with the established requirements, have been able to acquire specific products, which has contributed to an increase in job productivity.

Among the additional offers are 300 trips to socialist countries, all expenses paid, for the recipient and a companion, by special invitation of our commander in chief, Fidel Castro.

There are also 300 construction material modules comprising the material necessary to build a typical house; 550 automobiles; 1,500 motorcycles, 250 of them with side cars; 150 of 175cc, 100 of 125cc and 1,000 of 50cc; 500 bedroom suites; 500 living room sets; 400 dining room sets and 500 air conditioning units. In addition, 1,015 trips to socialist countries with half the expenses paid.

The following groups will be eligible to receive these articles: sugar cane cutters; manual cutting brigades; operators and brigades for mechanized cutting and for loading and hauling by tractors; truck drivers, cart drivers, and the workers involved in the sugar cane harvesting and those who participate in manual and mechanized cane cultivation.

Dominguez announced that each laborer who fulfills his obligations can select any of these items, but will only receive one of them. Choosing makes it easier to receive delivery according to the degree of fulfillment of the salary norm reached by the applicant.

He reiterated that the person who receives one of these additional items will not be able to select any of the other domestic electrical appliances that are normally distributed through the Millionaire Movement.

Also offered are trips to socialist countries with half expenses paid, to which a person can aspire regardless of whether he has previously received another item.

He explained that the fund for the trips will be provincial, for those who get the trip with half expenses paid as well as for those who are special guests of the commander in chief.

The distribution of additional items will be based on the fulfillment of the requirements established in the Special Harvest Emulation, which are the following:

- a) Fulfillment or overfulfillment of the production or service standards for the job title.
- b) Compliance with the technical norms and quality norms established for the job title.
- c) Observance of a strict working discipline during the period of the sugar cane processing or harvest.

Manual Cutting, Loading and Hauling

- a) Best fulfillment of norms (wage plan and real wages).
- b) Work attendance (percentage established).
- c) Strict compliance with the technical norms in the cutting, loading and handling of the cane, depending on the job in question.

Mechanized Cutting

Only the millionaire brigades will have the right to receive these items and among them, those in which all the workers are millionaires will have priority.

Dominguez indicated that the operators in millionaire collectives will given preference for those special items, depending on the percentage of fulfillment of the salary standard, and only if their attendance record-is 80 percent or more.

The rest of the personnel will receive the items assigned to the brigade, depending on the job performed and the decision of the majority of the members.

It is appropriate to specify that the distribution in accordance with the quantity of items assigned for each job at different levels in the province will start in the descending order: free trips, house modules, automobiles, motorcycles, house furniture and air conditioning units.

In the case of the sugar industry the delivery will be made on the basis of the established norms and through a selection process that will start in the department or section and will end with the selection of the best workers at the mill.

Afterwards, when the requirements have been fulfilled and the work honors won, a committee composed of persons from the mill, of equal rank, will decide on the best worker or workers so as to proceed with the presentation of the items, which will be ratified by the assembly of workers.

The workers involved with manual and mechanized cutting who hope to obtain one of the additional articles offered must belong to the 40 percent salary plan if they are volunteers. The rest of the work force must belong to the system of payment for the job done.

The automobiles and motorcycles acquired through this plan are for personal use and can be sold only to the government.

The traditional items to reward the members of the Millionaire Movement in the sugar harvest jobs are: 12,000 refrigerators, 3,000 mattresses; 30,000 washers, 10,000 sewing machines, 7,000 bicycles, 10,000 electric fans and 10,000 blenders. These, together with the additional items bring the total number offered to more than 85,000.

To conclude, Lazaro Domínguez stated that the structure of the distribution is as follows: manual cutting, 44 percent; mechanized cutting, including the hauling, 20 percent; loading and hauling of the non-mechanized cutting, 5 percent; sugar cane mills, 15 percent; sugar warehouses, 1 percent and cultivation jobs, manual and mechanized, 15 percent.

Requirements for Trips Clarified

Havana GRANMA in Spanish 21 jan 84 p 1

[Text] In relation to the information given yesterday about the incentives for the sugar cane harvest, we wish to explain that the trips to socialist countries for a recipient and a companion that our commander in chief is offering have nothing to do with concrete stimulation of the sugar harvest. They have to do with the recognition given to the most outstanding workers who for many years have distinguished themselves by their performance in the productive and service sectors of the country, among which are the agriculture and sugar sectors, and the awarding of these, gratuitously, as special recognition of the outstanding workers and their families does not exclude

any other material incentive, distinction or honor they may receive during the year. This recognition is given also to the cadres who have distinguished themselves in production and services. After 5 years have elapsed a worker is eligible for this prize again.

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FRA'S ENDORSEMENT OF PRESIDENTIAL CANDIDATE EXPECTED SOON

Guayaquil EL UNIVERSO in Spanish 27 Feb 84 p 18

[Text] The members of the National Board of the FRA [Alfarist Radical Front] and the directors of the 20 provinces met at the party's headquarters on the afternoon and evening of Friday the 24th to assess the results of the 29 January elections, to make decisions aimed at strengthening the FRA's structure and to spell out the party's position on the current political situation and the second round of elections.

National Coordinator of the FRA

At the request of Cecilia Calderon de Castro, an economist, the Executive Convention took up the proposal of appointing a national party coordinator to aid the National Board in the task of organizing and bolstering party structures. Luis Felipe Zambrano, an economist and alternate national deputy, moved that former presidential candidate Jaime Aspiazu Seminario be appointed to the post; his motion was unanimously passed.

FRA's Position on the Second Round

In an atmosphere of thoroughgoing democracy, the board members and provincial directors outlined their views on the recent elections and the political stand that the party ought to take on the second round of balloting. After wideranging debate, the Executive Convention of the FRA issued the following declaration, on which the party was completely united:

1. The Alfarist Radical Front condemns the serious irregularities in the recent elections, at which a considerable number of citizens were unable to express their will at the ballot box. The front also condemns the biased makeup of the election boards, the suspicious elimination of thousands of FRA members from the voting lists and, in particular, the interruption of the voting in the province of Los Rios, which prevented the residents of the province from freely expressing their will. Nonetheless, consistent with its origin and history, the front reaffirms its defense of the democratic system and rejects any attempt to cure its ills through coups d'etat.

2. The Alfarist Radical Front denounces the inordinate spending during the recent election campaign, which undermines the right to elect and be elected. The front has therefore instructed its elected deputies to propose in Congress effective means of controlling excessive campaign spending to preserve the freedom of thought of the Ecuadorean people.

3. Political classifications are not the result of whim or routine. They stem from the opinions that men and parties form regarding real-life problems. The Alfarist Radical Front therefore places itself in the true Center-Left of Ecuadorean politics; we have demonstrated this in our opinions on and approaches to national problems and in putting together a government platform containing consistent, courageous and bold economic, social and foreign policies to lift our citizens up from the poverty in which they are living in the country's rural and suburban areas and to lend our homeland dignity in the eyes of the world.

4. The FRA reiterates its commitment to the ideas and programs that its candidates proclaimed during the campaign and it voices its concern over the lack of specific government programs offered by the tickets that won the top two places in the irregular elections on 29 January. The country demands specific programs of government action aimed not only at rebuilding our homeland economically and morally but also at transforming its obsolete and unjust economic and social structures.

5. In light of the above, the FRA will refrain from taking a stand on the candidates, who have not yet clearly outlined their government platforms, because the party has always stressed ideas, never men.

6. The Alfarist Radical Front will keep its members and sympathizers briefed at all times and will call another National Executive Assembly during the last 2 weeks of March to take a stand on the upcoming May election.

8743

CSO: 3348/307

CHAMBER OF INDUSTRIES PRESIDENT REPORTS ON ECONOMIC CRISIS

Guayaquil EL UNIVERSO in Spanish 27 Feb 84 p 21

[Text] (ANE)--The president of the Chamber of Industries of Guayaquil, Romulo Lopez Sabando, analyzed the main causes of the national crisis in the report on 1983 administrative work that he presented to the Regular General Meeting of the chamber's members.

The business leader noted that 1983 began with our main economic authorities coming and going on overseas trips in a frantic bid to find ways of rescheduling the country's public and private foreign debt, as the treasury suffered from a cash crunch and the economy ground to a halt.

Romulo Lopez pointed out that whereas the Ecuadorean Government was negotiating its debt outside the public eye, this was not the case with the sizable private foreign debt, which creditor banks were also concerned about and which was reaching unmanageable levels due to the rising open-market value of the dollar.

Overblown Budget

He then noted that the announced debt rescheduling ran parallel to an irresponsible 50 percent increase in the federal budget, at a time when the main source of revenue, oil, was posting dangerous price drops on the world market. Simple arithmetic should have shown that there would be a budget deficit almost as large as the approved budget growth.

Lopez Sabando acknowledged, of course, that these were not the only factors that caused the adverse economic outlook. The rainy season, which was verging on 4 months at the time and ultimately lasted 10, cut Ecuador's export capacity to a minimum. This dried up the inflow of dollars, the surplus of which promotes the open market, which was steadily deteriorating on this occasion.

Road Infrastructure Inadequate

He noted that the harsh winter evidenced the government's lack of responsibility in maintaining our road infrastructure. Although these developments, among others, were the most significant, a particular political event unquestionably had an enormous impact on the prospects for a recovery in production: the exhausting election campaign.

Romulo Lopez felt that perhaps as never before the people focused their attention on this campaign. Having seen their aspirations for a better life frustrated and burdened by runaway inflation of 5 to 10 percent a month in the prices of basic consumer goods, they were hoping for a substantial change that would at least enable them to survive.

Disappearances of Companies

This crisis also resulted in the crippling and disappearance of many private firms, a development that swelled the ranks of the unemployed, who saw their sufferings and woes mount further.

Given this panorama, although the country's production chambers never lapsed into passivity, they were sorry to see that the authorities, taking partisan stands, never paid the slightest attention to the observations they made and the alternatives they proposed to further the nation's loftiest and most sacred interests.

The president of the Chamber of Industries of Guayaquil contended, however, that the chamber's concern over and constant warnings about dangerous bills calling for government intervention and/or paternalism, bills that originated at times with the administration and at times with the House of Representatives, succeeded in many instances in halting action on them, if not in thwarting their goal of shackling private enterprise.

In conclusion, Lopez Sabando stressed the need to defend private enterprise, the principles of which have been persistently violated by the ruling elites and union demagogues, who coordinate their stands when it comes to distorting the role that private enterprise plays in furthering the country's development and expanding its sources of production.

8743

CSO: 3348/309

EXPORTS DECREASE, INFLATION, OTHER ISSUES VIEWED

Guayaquil EL UNIVERSO in Spanish 24 Feb 84 p 2

[Article by Manuel Maldonado]

[Text] The country's industrial exports declined by 41.2 percent during the first month of the year, amid a steady contraction of overseas sales.

The fact is that the Ecuadorean economy continues to be propped up by exports of crude oil and derivatives, which totaled \$128.5 million in January, accounting for 71.6 percent of overall exports.

Stemming largely from the serious difficulties caused by the closing of the Andean market, the restrictions on imports and the steady decline in the competitiveness of Ecuadorean exports, the collapse in industrial exports is reflected in the cessation of large household appliance exports, which fell to zero in January.

During the first month of 1984 banana exports were down 128.9 percent from January 1983; lumber exports were down 19 percent; fish exports down 1,248 percent; cacao derivatives down 210 percent, and instant coffee down 113.7 percent. There were no exports of household appliances.

The Decline in Exports in January (in thousands of dollars)

	<u>Bananas</u>	<u>Fish</u>	<u>Lumber</u>	<u>Cacao Derivatives</u>	<u>Instant Coffee</u>
1983	17,448	944	650	3,627	1,323
1984	7,631	70	546	1,170	619

Exports of household appliances, which totaled \$18 million in 1980, fell to \$183,000 in 1983 and were nonexistent in January 1984.

Export Capacity

Why has the country gradually lost its capacity to export? The answer is not solely last year's weather, which caused a decline in agricultural

output. In reality, the answer is to be found among the economic complexities that have distorted the entire domestic economy and that in the case of exports have led to a steady decline in competitiveness. Why?

Inflation

Inflation (or runaway prices) has a great deal to do with the problem. With prices rising at about 50 percent a year, Ecuadorean products are becoming excessively expensive. What caused this inflation? Extremely serious mistakes by our economic policy-makers.

It all started when the government began expanding the budget inordinately to discharge mounting government responsibilities. The government was roped into excessively ambitious spending programs. Government spending expanded at an excessive pace year after year, while tax revenues become insufficient to cover it because the country could no longer tolerate a heavier tax burden.

The country opted for heavy borrowing as an apparent solution, contracting external debts that at least until 1980 were quite advantageous because of their relatively modest interest rates.

Much of the debt was short-term. Ecuador was able to secure seemingly attractive financing from commercial banks quite easily. But the situation began to change completely in 1980. Loans became increasingly difficult to secure and much more costly as the world recession worsened and our terms of trade deteriorated.

Ecuador accumulated a sizable foreign debt whose maturity pattern was not in keeping with its debt-servicing capacity. At this juncture, the basic shortcomings of the country's economic policy, which were due to the government's swollen budget, came to light.

An Overvalued Sucre

When budget deficits began getting out of hand, monetary policy was subjected to great strains. Although the administration tried to cut the growth of the money supply, it expanded by around 30 percent from 1979 to 1980, from 1981 to 1982 and from 1982 to 1983. In any event, the result has been the inflationary creation of money, which fosters price rises by pumping up demand. The upshot was that the exchange rate ceased to be realistic. In other words, the sucre gradually became overvalued in terms of the dollar. Why? Because it did not reflect the difference between our inflation rate and the inflation rates in the countries with which we trade. Inflation in Ecuador was above 20 percent a year, while in the United States it was falling to under 5 percent. But the dollar continued to cost 25 sucres until 1982 and 33 sucres until 1983. In other words, we were keeping our currency overvalued.

What are the consequences of an overvalued currency? First of all, it tends to erode the profitability of exports and to promote imports, which has an adverse impact on the trade balance. The government's mistake was to combat this effect temporarily by making use of its monetary reserves and resorting to overseas borrowing. This policy could not continue, however, because the reserves ran out and foreign creditors began losing confidence in the country.

Adjustment Program

The government then had to agree to a strict adjustment program that included import restrictions and a revamping of its exchange rate policy in the form of ongoing devaluations of the sucre until it reached a realistic level.

This adjustment program has plunged us into a deep recession. Imports of inputs and raw materials for domestic industry became extremely expensive or were severely curtailed. As a result, domestic industry has also raised its prices and is depressed as well. Exports are also down.

The decline in the competitiveness of our exports has been furthered by two other factors. On the one hand, inflation makes our output more expensive, and on the other, the mini-devaluations also boost industrial costs.

But the government's mistakes had to be corrected, above all because for some time it had ignored many warnings to reconcile the economy opportunely with the new realities that the government itself had created.

The results of the corrections will come to light only in the medium term. In the meantime, the country must undertake an aggressive exports promotion policy. All efforts will be futile, however, if inflation persists and if inflation is spurred by inconsistent economic policies.

8743

CSO: 3348/309

RODRIGO BORJA OUTLINES GOVERNMENT PROGRAM

Production, Industrial Policies

Guayaquil EL UNIVERSO in Spanish 25 Feb 84 p 3

[Text] Quito (AFP)--The Social Democratic candidate for president, Rodrigo Borja, contended that if he should win the second round of balloting, he would reorient industrial policy, reactivate the country's production machine from the ground up, without nationalizations or surprises for businessmen, and spur on the battle against protectionism by the industrialized countries.

With 28.41 percent of the vote, Borja unofficially won a plurality in the first round, which concluded on the 12th of this month. Coming in second was Leon Febres Cordero from the rightist National Reconstruction Front, which took 27.48 percent of the vote. The two will vie in a runoff election for president on 6 May.

In an interview with AFP, the leader of Democratic Left asserted that his program "does not call for any nationalizations," that "there will be no surprises for businessmen" and if he is victorious, he would guarantee the ground rules so that the private sector "knows what is allowed and what is prohibited."

"To tackle the crisis, the country needs to regain confidence in its own development potential," he added.

Reactivating Production

In his opinion, the country's production machine must be reactivated by allocating resources for basic sectors, by bringing another million hectares into farm use and by pursuing public works and full employment policies that boost buying power and increase demand.

Borja proposed an industrial reorientation that would correct the distortions of the import substitution model and aim at making tax incentives proportional to the full use of operating capacity, the creation of additional work shifts, the absorption of manpower, the propensity to export and the degree to which domestic raw materials are utilized.

He said that his program calls for spurring public works and oil exploration, adding a million barrels to proven reserves, promoting mining and exports, supporting small industry, agriculture and handicrafts and protecting the most depressed sectors in the cities and countryside.

He also came out against assembly plants that do not use domestic inputs, new luxury goods industries, unnecessary automation and sophisticated technologies that do nothing to dampen unemployment, which he considers the country's biggest woe because it runs directly counter to social justice and economic development.

Moreover, he maintained that he would conscientiously meet the country's overseas obligations, but he called on creditor nations and organizations to be understanding in rescheduling our foreign debt so that the payback periods, interest rates and financial burdens do not depress the Ecuadorean economy and instead allow it to develop smoothly.

He said that an overall reassessment of the crisis was necessary and he came out in favor of the agreements hammered out by the Latin American Economic Conference regarding the foreign debt and the advantageousness of joint regional actions to surmount the emergency, to bolster integration and trade and to combat protectionism by the industrialized countries.

Criticism of Reagan

Borja felt that the Reagan administration should be more responsive to Latin America's demand for equity in trade, claiming that the region's political problems "unquestionably have economic roots."

He asserted that "the big mistake is trying to attack the symptoms rather than the causes of the problems. The political violence and social upheavals jolting several Latin American countries have their roots in longstanding social injustice and in the humiliation suffered by the lower classes."

Regional Coordination

After noting that the United States is Latin America's natural market, he said that regional coordination is indispensable in negotiations with the United States, the European Economic Community and Japan.

In conclusion, he felt that "given certain common philosophical principles" that several of the regimes in the region, as well as his party, espouse, it might be easier to reach an understanding with Europe's Social Democrats in negotiating better foreign trade terms for Latin America.

Fight Against Corruption

Guayaquil EL UNIVERSO in Spanish 27 Feb 84 p 19

[Text] Quito--The candidate of the Democratic Left, Rodrigo Borja, has pledged that if elected president he will provide honest leadership, combat immorality wherever it exists and punish those guilty of administrative corruption.

In a recent interview with leaders of the National Confederation of Public Servants, Borja Cevallos said that Ecuadorean public servants would find a friend in his administration, a helping hand for their legitimate aspirations.

At the meeting the Democratic Left presidential candidate made known part of the public administration policy that he would pursue if elected. He has offered to boost the wages of government workers, but while making these demands compatible with the public sector's actual financial situation.

Respect for Employees

"Under my administration," Borja has stated, "the legitimate rights of public servants will under no circumstances be infringed upon. We will respect their aspirations and guarantee them stable jobs, within the framework of the law."

In this regard, he has given assurances that honorable public servants who observe the law are guaranteed stable jobs, inasmuch as his administration will not go on a government-jobs creating spree, because what the country needs at the moment are the joint efforts of all citizens to overcome the crisis besetting it.

Unionization

With regard to the desire of government employees to have the right to form unions, Borja Cevallos said that this aspiration merits thorough study, adding that in any event his position will be set forth in the government platform that is being drawn up. Nevertheless, he came out in favor of an urgent administrative reform that will serve as the real underpinning of democracy and efficient government.

8743

CSO: 3348/307

FRN CALLS FOR REMOVAL OF TSE MEMBERS

Guayaquil EL UNIVERSO in Spanish 25 Feb 84 p 7

[Text] Quito--Leon Febres Cordero and Dr Blasco Penaherrera Padilla, the presidential ticket of the National Reconstruction Front, have appealed to the Tribunal of Constitutional Guarantees to investigate the official conduct of the members of the Supreme Electoral Tribunal (TSE), to immediately remove them from office for having violated specific constitutional and legal norms and to make the appropriate decisions to guarantee that all citizens can exercise their right to vote.

The two men expressed their profound concern over the irregularities and violations of the republic's political constitution that occurred during the election campaign from 29 January to 12 February of this year. They then called on the Tribunal of Constitutional Guarantees to intervene in timely fashion to prevent the same sort of irregularities from occurring at the upcoming election on 6 May.

Extensive Brief

The candidates submitted an extensive brief specifying their de facto and de jure arguments, listing the series of irregularities that have characterized the campaign and concluding with their requests for action.

Enforcing the Constitution

Their brief concludes by making the following requests of the Tribunal of Constitutional Guarantees:

1. To see to it that the constitutional provision guaranteeing the right to vote of all eligible citizens is enforced, so that at the second round of balloting on 6 May 1984 the masses are not once again excluded because of the actions of the members of the election agencies in charge of organizing, running and supervising the most recent voting, as well as by the Executive Branch officials who are responsible for furnishing the complete data and reports needed to draw up the voting lists.

Observations

2. To draw up observations on the unconstitutionality of the Election Law provisions that infringe on the principle of universal suffrage, on the basis of the aforementioned reasons.

3. To take up the irregularities committed by the Supreme Electoral Tribunal and other election agencies, as well as by the Government Ministry and its branch the General Directorate of the Registry Office, Identification and Documentation, irregularities that have seriously curtailed the right to vote guaranteed by the nation's political constitution; and to immediately remove those guilty of violating express norms of Ecuador's constitution because they lack the trustworthiness demanded by the upcoming election, whose fairness can not be guaranteed by officials who were unable to properly organize, run and supervise the previous balloting.

Their brief concludes by stating that "it shall be the historic responsibility of the Tribunal of Constitutional Guarantees to defend the country's democratic institutions and to see to it that the nation's political constitution, the foundation of its democracy, is respected and that those who have endeavored to destabilize Ecuador's legal and political order are fittingly punished."

8743

CSO: 3348/307

BRIEFS

IMPORTS INCREASE PLANNED--The resumption of imports will be undertaken cautiously and with meticulous selectivity to prevent the country's balance of payments from going into the red again, official sources believe. The bans imposed by the Monetary Board have succeeded in sharply cutting imports, so much so that in 1983 there was a sizable surplus (\$932 million) in our trade balance. It was thanks to this surplus that the balance of payments deficit dropped from more than \$1 billion at the end of 1982 to just \$100 million in 1983. The balance of payments is a tabulation of the country's overall income and expenditures. The trade balance is a tabulation of imports and exports. Since imports were down 26 percent in 1983, the trade balance posted a noteworthy surplus. As a result, our outlays for imports fell, and the balance of payments deficit shrank significantly. The red ink in the balance of payments was caused mainly by the payments of principal and interest on the country's foreign debt, which is currently estimated at \$7 billion. Imports had to be curtailed to restore some degree of equilibrium. The nation's foreign exchange shortage continues, however. As of 31 January, our international monetary reserves totaled just \$93 million, which is entirely insufficient to allow an indiscriminate resumption of imports. Official sources have said that the resumption will include only capital goods and inputs essential to getting our sluggish production machine moving again. The fact that industrial output is at a semi-standstill has contributed to a decline in the supply of goods and services, and this contraction has emerged as a worrisome inflationary factor. This is one of the reasons why the government is preparing to reopen the door to imports, at least to some degree. [Text] [Guayaquil EL UNIVERSO in Spanish 27 Feb 84 p 3] 8743

CSO: 3348/309

BRITISH LAWYER DEFENDING ACCUSED DESCRIBES IMPEDIMENTS

Kingston THE DAILY GLEANER in English 28 Feb 84 pp 1, 3

[Text] Lord Tony Gifford, Q. C., British defence lawyer for several of the Grenadians charged with the murder and conspiracy to murder former Grenadian Prime Minister Maurice Bishop, and members of his Cabinet, has filed an appeal to the Grenada Court of Appeal, to have that body quash the decision of the Grenadian Registrar of the Court disallowing him to appear on behalf of the defendants.

The appeal is to be heard in May, Lord Gifford disclosed while addressing a conference called to discuss the situation of the detainees in Grenada, at the Caribbean Council of Churches office, 14 South Avenue, Kingston 10, Saturday morning.

Lord Gifford who left Grenada on Thursday, having spent ten days in that country as part of an international team of lawyers consisting of two Britons and one Jamician, made an appeal to a wide cross section of people including members of the church, political parties, media, the peace movement, and the Grenadian Student Association, to keep the Grenada issue alive.

Describing the mission of the trio as "a professional mission, not a political one," he said that the basic objective was "to defend basic human rights." The initiative of the mission according to Lord Gifford, came from Richmond Hill prison and relatives of the detainees. He added that it was being funded by a committee comprising British and Caribbean people in England.

Lord Gifford related to the meeting his experience in Grenada and what he said was the experience of the detainees. "On Wednesday the mission changed dramatically," he recalled explaining that 18 of the 38 detainees were then formally charged--seven with murder, and 11 with conspiracy to murder. He expressed the view that this new situation was caused by "counter-pressure being built up" in Grenada to give some legal sanction to the detention of the individuals.

Turning specifically to the condition of the detainees he pointed to what he described as "interrogation of a brutal nature" being unleashed on them. Detainees complained of being boxed, physically and psychologically tortured, he said. He added that some of those in detention were given no reason for their detention, and that even the authorities had denied knowledge of their

involvement in anything illegal. He then expressed the view that the order to detain was coming not from the Grenadian authorities but the C. I. A.

"From time to time in spasms there is severe violence," according to Lord Gifford as he continued to unfold what he said he observed in Grenada. "Some of the detainees are literally political prisoners" he observed.

"The denial of an international team is very serious," remarked Lord Gifford, speaking about the implications of the refusal of the Grenadian authorities to allow him to appear on behalf of the detainees. Over the years, he pointed out, many Britons were admitted to the Bar in the Caribbean, so his case raised several legal questions.

He said that for the ten days the team was "blocked" in its efforts to obtain "simple permission to speak to our clients, and we were refused in several cases." He said that pressure would continue from Britain to secure a free and fair trial for all those involved in the Grenadian case.

Mr. Dudley Thompson, former Minister of National Security, also addressed the meeting. He noted that the right for anyone to have a lawyer of his choice to represent him was fundamental, and he was appalled by the denial of this right to the Grenadians. He called on the Caribbean people to keep the Grenadian issue under the "microscope of international attention" because this was the only means of ensuring that the detainees were not tried by a "kangaroo court."

Dr. Trevor Munroe, General Secretary of the Workers Party of Jamaica who chaired the function, thanked Lord Gifford for having stopped over in Jamaica on his return visit to London.

The other members of the defence team are, Miss Sarah Burton a Solicitor from U. K. and Mrs. Jacqueline Samuels Brown, from Jamaica. They are still in Grenada.

At the meeting copies of a letter reportedly written by a detainee in Grenada, Chester Humphrey, to the General Secretary of the World Council of Churches, Dr. Phillip Potter was circulated. The letter was reportedly smuggled out of Richmond Hill Prison where Mr. Humphrey, the acting President of the Technical and Allied Workers Union, has been in detention since November.

The letter complained of a "sinister plan" by the Grenadan authorities to "railroad political detainees through kangaroo courts and secure speedy execution of the leaders of the New Jewel Party." There were complaints of "the systematic use of torture and threats of torture to extract 'signed confessions' from members of the party and armed forces."

According to Mr. Humphrey "I have been detained... and kept in almost total confinement; allowed one visit per week of fifteen minutes duration; one hour sunlight each 24 hours and one letter per week."

CSO: 3298/578

BRIEFS

SURINAME MERCENARIES DENIAL--Georgetown, Fri., (AP): Guyana denied reports today that it was harbouring mercenaries for an attack on Suriname, where the military warned its people earlier of an imminent attack from mercenaries in French Guiana. The finger-pointing by the three Guianas on South America's Caribbean coast began yesterday afternoon when Suriname strongman, Lt. Col. Desi Bouterse told a military group that mercenaries in French Guiana, Suriname's neighbour to the east, would launch an invasion as early as tomorrow. A Guyana Foreign Ministry spokesman, who did not want his name used, said: "There is no way Guyana will allow itself to be used for atrocities against any Government. Guyana, Suriname's western neighbour, has a long-standing border dispute with what was formerly Dutch Guiana, but the two left-leaning Governments have had normal relations. Bouterse, who took power in a 1980 coup d'etat, has warned of invasions from French Guiana, a French Overseas Department, and by U. S. or Dutch-backed mercenaries, before. He said yesterday two men had been arrested in connection with the latest alleged plot. He said former Surinamese officers, soldiers, policemen and bodyguards were involved in the plan. He did not give any other details. [Text] [Port-of-Spain TRINIDAD GUARDIAN in English 3 Mar 84 p 5]

CSO: 3298/579

PSUM YOUTH LEADER VIEWS PROBLEMS FACING YOUNG MEMBERS

Mexico City UNOMASUNO in Spanish 11 Feb 84 p 5

[Article by Teresa Gil]

[Text] According to Roberto Zamarripa, who has been the PSUM [Unified Socialist Party of Mexico] youth leader since he was 20 years old, "The Left does not believe in youth." Traditionally, he said, it has seen youth only "as a source of party support, as a breeding ground or reservoir of cadres." On the other hand, he pointed out, the Right has assigned it the concrete role of shock troops, of providing support for social institutions, without limiting it to some organic project. As for the state, he believes that its projects, such as the CREA, are incomplete and of secondary importance, because they are confronted by the real state policies reflected in youthful unemployment, lack of schools and daily repression. "And," he argues, "a roundup by the police has more weight than a speech-making contest or a sports center."

Zamarripa, who is 23 years old and a graduate of the School of Political and Social Sciences of the UNAM [National Autonomous University of Mexico], also spoke about the communist youth organization and about the burden represented by the crisis in which it found itself in the 1970's which, according to what he said, resulted in the relationship between the party and youth organizations being called into question. He said that, although it represents the principal force in political organizations, only 5 percent of Mexican youth now belongs to a party. The majority "follows the dominant scheme in a passive, uncritical way." It is subjected to cultural schemes--such as those imposed by television--that deform youthful needs.

He said that, in spite of being in the majority in the country, youth is left out when the country's basic decisions are made. Youth lacks social guarantees and is faced by oppression, discrimination and authoritarianism in all spheres of society.

"With the economic crisis," he pointed out, "there has been an increase in the difficulties young people experience in integrating themselves into the productive economy, fulfilling their social apprenticeship needs, intervening in politics and, above all, defining their own ways of looking at the world and creating their own identity." The prospects for youth's full and independent development have been drastically reduced, he added.

He also warned that, unless the Left provides a quick and correct response to these problems and concerns, it runs the risk that youth will set its own course and go too far or that others will channel and deform its aspirations.

He recognized that the Left's youth policies are greatly out of date and that its traditional position of attaching a youth organization to the party is an old Stalinist concept. Limiting the role of youth to handing out flyers and serving as window dressing has resulted in a narrow political participation and little creative expression. The orthodox Left has consigned youth, he said, to a narrow, selective and self-consuming organization. "The party youth organization," he asserted, "is a black Stalinist deformation that must always be governed by the party principles and statutes."

He noted that there exist two concepts within the PSUM which manifested themselves at last August's national congress, when the National Youth Committee--which has since been disbanded--presented an 18-point project on the problems of youth, which was rejected after an intensive and lengthy discussion. At present, he said, the discussion is continuing.

The two concepts both favor the creation of a youth organization but one of them holds that it should be dependent on the party and the other postulates the principles of autonomy and areas and projects of the organization's own. The latter proposes an organization integrated into a broad front, in which youth would come together with farmers, farm laborers, women and ethnic groups and would offer its own program for guiding the development of society.

"Youth can no longer play a subordinate role, a role of simple dependency," the leader stated. "Just because it is tired of playing this role, the Left ought to be sensitive to the problem."

Zamarripa joined the old Mexican Communist Party when he realized that it was necessary to make ideas congruent with the political struggle. His concern was born, he confessed, in school, and in the street, out of the need to get room for expression and communication. He then entered the youth brigades, which he helped coordinate, and later became president of the National Youth Committee.

He said that his party is working out a project for a new organization, which will have to be broad, in which youth will no longer be simply apprenticeship material. "We cannot go on sitting on the bench," he said, "nor should the Left treat youth as though it were a football team. On the other hand, neither should we go on allowing the PRI [Institutional Revolutionary Party] to monopolize politics. The Left ought to seize those spaces and youth ought to have its own spaces and specific needs."

He declared that, in the 18 points of the August project, youth demanded its own space, because it does not have it, and asserted that it should take possession of wasteland, streets and places belonging to others. The document also dealt with the problem of deterioration of the environment, since young people now have to grow up in filth and crowded conditions, with problems of sexual repression, lack of security, decisions imposed upon them, etc.

There are certain situations, he said, such as those of labor, in which young people earn less, are most likely to be fired and do not belong to unions because they are minors. In addition, they represent the great mass of unemployed at present.

He recalled that these problems have been discussed within the Left, which is full of prejudices, takes a paternal attitude toward youth and, in general, adheres in its treatment to the social tradition that youth ought to be subordinate. It is a problem of generational discrimination, he said, just as others are repressed because of their color, way of thinking or social position.

Recalling the weight of the Communist Youth organization in the history of the PSUM, the principal element contributing to the formation of which was the Mexican Communist Party, he said that the radicalization of many young people was due to their believing that the possibility of a democratic struggle no longer existed, when the events of 1968 demonstrated precisely that a political struggle is possible and that democracy is a form of such struggle.

The party's problem, he said, is that it did not see the problem clearly or could not recognize it. In fact, he maintained, the vision of 1968 changed youth's relationship with society; youth had new personal experiences and other things about which to question the Left. The party should have seen that its relations with youth would have to be different.

Now, it has to be recognized that before the youth organization entered its final crisis, the party had decided to do away with it, not because it wanted to abolish the youth effort but because numerous contradictions had arisen within the Communist Youth organization and other forms of youth organization were being considered. At that time, he recalled, the youth leader automatically entered the Central Committee. Why should this be, he asked himself, if the two jobs were different?

"Nevertheless, I do not believe that the problems of the Communist Youth organization have to do specifically with the Leftist parties' paternalism. National realities played a very important role in this case." The events of 1968, he indicated, demonstrated massive, unified forms of youth coordination that laid out new tasks for youth organizations. The problem is, he reiterated, that the party could not discern them.

For this reason, he said, in the process of discussion now under way within the PSUM on the role of youth--in which all the Left ought to participate--it is necessary to review history and reflect on it.

He analyzed the existing youth movements and said that these practically do not exist. They are in the midst of a crisis. While the Left is discussing a policy for them, the Right is speeding up its work and getting young people to work for social causes that do not belong to them and with relation to which youth plays the role of shock troops.

12336

CSO: 3248/473

BRIEFS

INDIAN SENATOR OFFERS AID--India is prepared to send doctors to Nicaragua immediately in order to provide health care, and also to aid our country in the construction of railroads and in a number of technical areas in industry, Dr Shri Shyam Sunder Mohapatra, a Hindu senator, said yesterday while visiting Managua. The senator, a member of Prime Minister Indira Gandhi's government, made this statement upon emerging from a lengthy meeting with the foreign minister, Fr Miguel D'Escoto, in which they discussed various aspects of the development of relations between India and Nicaragua. Dr Mohapatra expressed the concerns of his government about the way in which the United States is trying to undermine the independence of the nations of Central America and the Caribbean, "and that does not speak well for U.S. democracy, because there is no reason for such a powerful country to go on supporting military dictatorships in the area." He said he was impressed by the strength of a nation as small as Nicaragua, and after recognizing the numerous achievements of our revolution, both internally and in our foreign policy, he commented: "You are going to be able to overcome any external aggression." He said there are many fields in which India can aid Nicaragua, because India is the eighth-ranked country in terms of its industrial base. India is offering Nicaragua the benefits of its expertise in railroad construction. He stated that India and Nicaragua will always have the backing of the Movement of Non-Aligned Nations, whose presidency India now holds. The visitor was received by the government junta in the afternoon. [Text] [Managua BARRICADA in Spanish 31 Jan 84 p 5] 7679

NEW OPPOSITION LEADERSHIP--Dr Luis Rivas Leiva, leader of the Social Democratic Party, was elected president of the Ramiro Sacasa Democratic Coordinating Board last night. The leaders of the Nicaraguan opposition also elected Carlos Huembes Trejos, leader of the Nicaraguan Workers Federation; and Jose Espinosa Navas, leader of the Confederation for Trade Union Unity, as vice presidents of the Democratic Coordinating Board. [Summary] [PA122010 Managua LA PRENSA in Spanish 18-19 Feb 84 pp 1, 10]

TERRORIST ARRESTS TOTAL ALMOST 4,000 FROM 1980 TO PRESENT

Lima LA PRENSA in Spanish 25 Feb 84 p 3

[Text] From the date on which terrorist acts began (1980) until the present, about 4,000 subversives have been arrested. During the same period, 86 Shining Path cells have been deactivated, most of them in the emergency zone, Luis Percovich Roca, minister of the interior, revealed yesterday in describing the work carried out by the police in protection of civil order.

To a journalist's question, "Lima is unprotected--what are the police doing?" Percovich answered that everything possible within the limitations of the situation was being done and said that, in this connection, the police force needed better and more equipment.

Nevertheless, he maintained that, in the period 1980-84, 3,716 subversives were arrested, a number of which had already been tried and others of which were being investigated. Eight-six terrorist cells were deactivated: 52 in the emergency zone, 13 in Lima and 23 in Ica, Cusco, Cajamarca, La Libertad, Ancash and Huanuco. Also three Shing Path detachments were destroyed.

"But," the minister said, "in order to act more effectively and energetically--as Senate President Ricardo Monteagudo, whose house was attacked by terrorists, has asked--more equipment is needed."

He expressed the hope that this would be achieved within the shortest possible time, because, he said, arrangements have already been made with the Ministry of Economics so that in 90 days the police will have more communications and transport equipment and more weapons.

Private Police

Percovich announced that the government has approved regulation of private guard services, which will be controlled and supervised by an Office of Private Guard Services that will be established within the Civil Guard. Such services are used to guard and transport things of value (banks, shipment of securities, etc.).

In addition, a Supreme Decree establishing a state of emergency in Castrovirreyna has been approved. Nevertheless, he said, as the situation improves little by little, the state of emergency will be lifted in other places.

With regard to the possibility that, in the face of recent attacks, especially the one on a lawmaker, a state of emergency might have to be declared in Lima, he answered that that is a matter for decision by the National Defense Council, which is made up of representatives of the armed forces and of the police forces and presided over by the head of state. Every decision is taken only after an analysis of the situation.

Arms Smuggling

With respect to the arms that arrived at the airport some time ago and whose destination is unknown, the minister said that they will continue to be held by the armed forces until the Supreme Military Council of Justice determines their destination. He noted that the armed forces had intervened at the request of the police.

Concerning the San Marcos University student who had died, he said that he regretted the latter's death and indicated that the details of the case were being investigated. He said that it was not a question of justifying violence but of determining whether the police had committed excesses or simply carried out their duty under the Constitution.

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CSO: 3348/303

BRIEFS

CLOSER TIES WITH NORTH KOREA--During calls yesterday on the presidents of the Senate and Chamber of Deputies, Ricardo Monteagudo and Alejandro Montoya Sanchez, three members of the Supreme People's Assembly (Parliament) of the Democratic People's Republic of Korea declared that efforts should be made to accentuate the cordial diplomatic relations between Peru and that country. In each of several separate meetings, the Asian lawmakers also saw an increase in commercial, cultural and other relations as being of mutual benefit, according to Carlos Roca Caceres, an APRA [American Revolutionary Popular Alliance] deputy, who, together with other Aprista deputies, accompanied the distinguished visitors. The delegation is headed by Song Song Bil, vice president of the North Korean Supreme People's Assembly; the other members are Chang Chang Jo and Chi Yong Jo. All three are members of the Korean Workers Party. They also addressed Asian problems and repeated their government's position regarding the reunification of the two Koreas (North and South). Before entering the Legislative Palace, the delegation of Asian lawmakers laid a floral wreath at the foot of the monument to the Liberator, Simon Bolivar, in Inquisition Square. The North Korean representatives are on an official mission to several Latin American countries and came to Lima in response to an invitation to participate in the meeting to be held this evening at the Casa del Pueblo in celebration of the "Day of Aprista Brotherhood". [Text] [Lima LA PRENSA in Spanish 24 Feb 84 p 4] 12336

CSO: 3348/303

UNION OFFERS COOPERATION ON DEMOCRATIC STRUCTURES

Paramaribo DE WARE TIJD in Dutch 21 Jan 84 pp 1,8

[Article by the Press Service of the Catholic Teachers Union]

[Text] During the well attended special General Membership Meeting of Thursday 19 January the executive committee of the Catholic Teachers Union (KOB) discussed the situation in our country.

Information

Chairman Pearl Antonius presented a chronological report of the discussions held between 7 November 1983 and 9 January 1984 between the government/army leadership and the labor movement concerning measurements to increase taxes.

He then recounted in sequence the events that took place in the bauxite industry and the EBS [Suriname Energy Enterprise].

He expressed his disapproval of the way in which actions were conducted.

As members of a labor union we cannot tolerate that workers act with disregard for their responsibilities as union members.

The KOB is also very critical of a lot of things that are happening in our country. But because it holds democracy in high esteem and defends the national interest it is prepared to assist in the establishment of democratic structures in our society. It supports therefore the proposal to establish an official system which sees to it that various groups and organizations in our country get involved in planning and execution.

The KOB management will always consult its members and supporters before it takes a decision.

A motion from the floor was in this connection unanimously adopted. This motion instructs the KOB executive council to help in bringing about unity within the FOLS [Federation of Teachers Organizations of Suriname] to ensure that the interests of its members are adequately protected through the forum within the structure.

Disapproval Occurrences in School

The chairman pointed out that the teachers must see to it that this situation does not lead to disrespect of authority. He urged all teachers to do their utmost to allow the educational process to go about its business as usual.

Critical Voices

He also pointed at the role multinational companies are playing to influence the political climate in countries as Suriname. He stated that the recently announced steps to increase taxes (now suspended) are closely related to loans from international financial institutions as governments are often subjected to demands of this nature as conditions for such loans.

The meeting was closed with a warning against the possibility of new measures to increase taxes.

They should never be allowed to crush the workers.

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CTV SCORES NEW ADMINISTRATION'S ECONOMIC MEASURES

Caracas EL UNIVERSAL in Spanish 17 Feb 84 p 2-1

[Article by Fanny Perez: "CTV Objected to Economic Measures Because Their Impact Will Be Felt by Workers"]

[Text] The CTV [Confederation of Venezuelan Workers] revealed its disagreement with the economic measures that the government led by Jaime Lusinchi would pass next week because their greatest impact will be felt by the underprivileged classes and labor, sectors that will see their high cost of living increase about 30 percent.

This was announced by the organization representing the Venezuelan workers through its executive secretary, Sotero Rodriguez.

At the office of Minister of Finance Manuel Azpurua Arreaza, the most important economic, labor, business and financial sectors of the country met in order to learn all about the new package of economic measures to be implemented in the country. The objective is to revitalize the productive apparatus, generate new sources of employment and rearrange the economic structures.

The ministers of the economic sector were at this important meeting: Minister of Finance Manuel Azpurua Arreaza; Minister of Development Hector Hurtado; Carlos Rafael Silva, minister-president of the Investment Fund; Arturo Hernandez Grisanti, minister of energy and mines; Minister of Labor Simon Antoni Pavan; Carmelo Lauria, governor of the Federal District; and Benito Raul Losada, president of the Central Bank of Venezuela.

Those who attended from the CTV included: Juan Jose Delpino, president; Sotero Rodriguez, executive secretary; and other members of the Executive Committee including Cesar Gil, Rafael Leon Leon, Antonio Rios, Pedro Brito and Jesus Urbieto.

Leaders of the Venezuelan private business sector also attended this meeting led by Adan Celis, president of FEDECAMARAS [Venezuelan Federation of Associations and Chambers of Commerce and Industry]; Carlos Ramirez Machado, president of Conindustria; Frank de Armas, president of Consecomercio; Gustavo Marturet, president of the Banking Association; and Rafael Marcial Garmendia, first vice president of FEDECAMARAS.

At the end of this long meeting, the minister of finance termed it "cordial and positive." However, it was learned that the representatives of private enterprise and the labor leaders were unhappy with the explanations of the package of economic measures.

The CTV felt that the economic measures will have their impact on the working class and will substantially reduce the wages of the Venezuelan workers. They also rejected them because they do not include adequate compensatory mechanisms such as a wage adjustment or price control.

In their statements to the press, the CTV representatives totally rejected the measures that will be implemented in the country soon.

The representatives of FEDECAMARAS showed their unhappiness when the government announced its decision to recognize the private foreign debt with a monetary exchange rate of more than 4.30.

Adan Celis, president of FEDECAMARAS--with a grim face and a secretive attitude--was unwilling to comment on the private debt. He evaded talking about this with the press.

Celis said that next Monday--during a meeting of the directorate--FEDECAMARAS will determine its position toward the package of economic measures that the government will implement.

Cost of Living Will Rise 30 Percent

Sotero Rodriguez, executive secretary of the CTV, felt that these measures "should have taken into account compensatory mechanisms" so that the weight of this crisis would not be felt only by the workers.

The compensatory measures requested by the CTV to protect the workers from the impact of the economic measures are: price control, subsidized family market basket or a mobile wage adjustment.

The CTV leader said that by eliminating the dollar at 4.30 bolivares, the food products that the masses consume will increase substantially in prices.

The CTV feels that the high cost of living will increase 25 to 30 percent this year due to the increase in gasoline and the changed monetary parity of the bolivar.

We Have No Comment

The association that represents Venezuelan private business--FEDECAMARAS--refrained from commenting on the economic policy that the government will develop in the next few days. It received general information on this from Minister of Finance Manuel Azpurua yesterday.

To the questions from the reporters, Adan Celis invariably answered: "No comment."

Just Under 30 Percent

Minister of Finance Manuel Azpurua Arreaza, who was the last to leave the CTV-government-FEDECAMARAS meeting, announced that the figures that the members of the Economic Cabinet work with show that the inflation caused by the implementation of the economic measures will be just under 30 percent.

As to the climate that prevailed at this intersectorial meeting to analyze the economic measures, Minister Azpurua Arreaza called this meeting with the CTV and FEDECAMARAS "very good."

The minister of finance explained that these talks with the different national sectors to explain the package of economic measures were suggested by President Jaime Lusinchi based on the policy of agreement and dialogue promised in his inaugural speech.

Manuel Azpurua said: "The opinions of these sectors will be considered in the final adjustments to these measures that will be announced at the beginning of next week by President Jaime Lusinchi."

He indicated that the economic measures require some sacrifice from all Venezuelans so that Venezuela can end the crisis it is in.

Minister Azpurua pointed out that the talks with the CTV, FEDECAMARAS and the government will continue in the coming days to analyze the economic measures.

CTV-Government Committee Created

As a result of this long informative meeting, a work committee to analyze the impact of the economic measures on the country was created.

This group will be made up by the ministers of the Economic Cabinet and the following CTV leaders: Juan Jose Delpino, Cesar Gil, Sotero Rodriguez, Jesus Urbieta, Antonio Rios, Pedro Brito and Rafael Leon Leon.

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CSO: 3348/292

EXPORTS SECTOR WELCOMES ADMINISTRATION'S ECONOMIC MEASURES

Caracas EL UNIVERSAL in Spanish 17 Feb 84 p 2-11

[Text] There are optimistic expectations in the national exporting sector because of the announcement about the adoption of a set of measures to confront the current problems of the national economy.

For the exporters, the expectations are very important. Earlier they had presented the top government authorities and, when appropriate, the liaison committee the problem and the immediate measures that the exporters feel indispensable for greater promotion and consolidation of this sector.

It is clear that, at this time, the details of the set of measures cannot be discussed but the exporters are confident that the basic problems that affect them will receive proper treatment. These problems are essentially as follows:

1. To greatly simplify the red tape and procedures for exports, giving the exports sector and its businessmen involved in production and marketing the real importance that exporting has for the country. Its objectives are: to increase foreign revenue, the levels of employment and the use of idle capacity; and to facilitate payment of the debt--in short, to help revitalize the economy.
2. The need to consolidate export incentives as well as to simplify the exchange system pertaining to exports. Consideration of an export dollar, free from market fluctuations or ad-hoc devaluation, is considered very appropriate as part of a clear policy to promote nontraditional exports.
3. It is indispensable to give the foreign trade institutions all the mechanisms needed for their good operation. FINEXPO [expansion unknown] must have the necessary means to finance exports, especially medium and long-term operations and those exports that bring prestige to the country like technology and engineering services. The Foreign Trade Institute must play a major role through fulfillment of its basic law.

The statements of the top government leaders that the economic measures will be discussed with the sectors that might be involved please the exporters. It is a way to discuss with the interested party what is more significant, not just for the sector but for the economy in general.

The exporters feel they can contribute a lot to the solution of the problems of the country. Therefore, they expect to be consulted about the final decision.

Special attention must be given to the problems of infrastructure, especially for the Caribbean and Central America. The policies of cooperation and exchange with the area must be based on transportation and clear trade policies that fulfill promises and promote more chances for joint development. The economic integration policies, by definition, are important for the Exporters Association. The procedures and mechanisms to transform integration into a real instrument of service for the development of our countries must be expedited.

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END